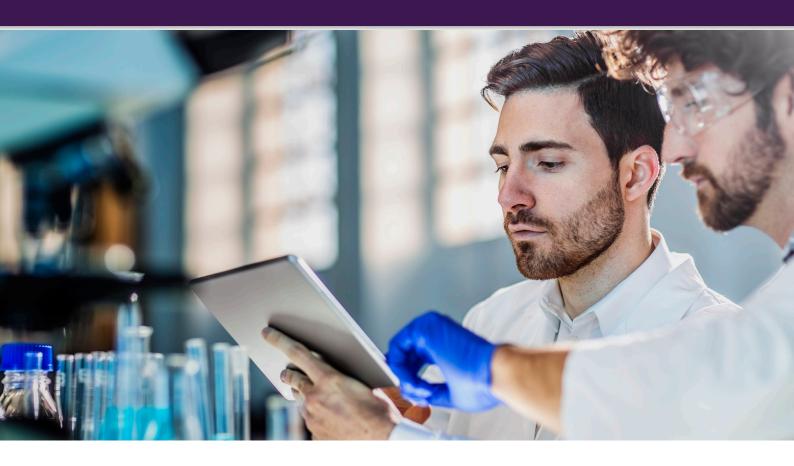


# **R&D Tax Credit Regime**



Ireland's Research & Development ('R&D') Tax Credit regime is now a long established feature of Irish tax legislation. It is viewed as one of the key supports available to companies in driving their research and development agenda, nurturing work to resolve scientific and technological uncertainties in primary sectors, including manufacturing, medical sciences, engineering and technology.

The regime is the subject of ongoing review and enhancemnts as part of each Budget cycle, the most recent key development being the announcement in Budget 2019 of an increased tax credit for micro and small businesses, which awaits formal Ministerial Order before it comes into effect.

Revenue published detailed R&D Tax Credit Guidelines, the most recent version of which was released in June 2019. The guidelines themselves are not legally binding, however they do outline a clear indication of Revenue's position on the application of the R&D Tax Credit and the conditions/criteria which must be met in order to support a valid claim.

RBK Business Advisers work closely with a number of our clients in terms of review and preparation of R&D Tax Credit claims. Our support includes identifying eligible R&D work, examining R&D projects and the preparation of contemporaneous documentation to support the claims. To discuss in confidence whether a review as to the application of the R&D Tax Credit regime may be relevant to your company, please contact a member of our R&D team who can arrange for an initial consultation.

# How Much is the Credit Worth to your Business?

Put simply, the credit is worth €25 for every €100 spent on R&D activity. This is in addition to the normal 12.5% trading deduction, meaning companies get an effective tax deduction of 37.5% on their eligible R&D spend. As noted above, improvements to the R&D Tax Credit regime for small and micro enterprises will have the effect of increasing the headline rate of the credit for such companies from 25% to 30%, meaning an overall effective deduction of 42.5%.

The credit can be used to:

- > Reduce the company's Corporation Tax Liabilities
- > Secure a Cash Refund over 3 years, meaning the credit has real time value even in the cases of loss making companies
- > Reward Key Employees with Tax-Free Remuneration

The payable credit can effectively be treated as a grant for accounting purposes, which allows Irish subsidiaries of multinationals pitch for projects on the basis of 75% of the actual cost per head of conducting R&D in Ireland.

The following expenditure can be included in your R&D credit claim:

- > direct R&D costs (wages, materials, etc.)
- an allocation of certain overheads which are permissible under Revenue's guidelines
- capital expenditure on plant and machinery / buildings used for R&D
- payments to third parties to conduct R&D (subject to certain limits)

#### Is Your Business Eligible?

R&D is not just carried out by high tech multinationals in a lab setting – some or all R&D is carried out in a production or manufacturing environment. If your company is involved in any of the following activities you may be carrying out 'shop floor' R&D on an ongoing basis, meaning your company could be eligible for this valuable credit:

- > Developing a new product or process
- > Proving an existing product or process
- > Evaluating new techniques to improve productivity
- > Assessing manufacturing modifications
- > Researching raw material substitution
- Considering alternative options to meet the specific product cost targets
- > Research 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 RDI grant
- > Activities that are patentable

As is evident from the list above, the work in respect of R&D does not need to be limited to an area/innovation which a layman might ordinarily consider as resulting in a groundbreaking new technology or product. Eligible R&D work can extend to cases where there is a clear technological or scientific uncertainty/barrier which has to be overcome, and work has been undertaken in a systematic way to address this. This means that eligible R&D work can be an ongoing aspect of a company's natural business cycle depending on the industry they operate in.

Companies should not to overlook the R&D Tax Credit regime but seek to identify any opportunity to avail of the benefits offered therein.

## How to Make a Claim

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

- > The scientific or technological advancement sought
- > The scientific uncertainty involved
- > The systematic and experimental manner in which the activities were carried on
- Supporting documents to substantiate the time spent on R&D projects and the underlying costs incurred in carrying on the R&D work

#### How can RBK Business Advisers Help?

If your company is carrying on any of the above activities or you are interested in discussing whether proposed activities could qualify, we can conduct an initial assessment on a no fee basis. If you wish to submit a claim, we will help you maximise the amount of the claim (by claiming all eligible costs and related overheads) and assist you in the preparation of the supporting documentation.

#### Our 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
- > Pharmaceuticals
- > Food services

## **Contact Us**

If you have any queries about how your business could benefit from the above, please contact us.



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