

## R&D Tax Credits Facts and Fallacies

<b>1.</b>	<b>The R&amp;D must be successful in order to qualify for an R&amp;D tax credit</b>
<i>False</i>	R&D tax credits can be claimed regardless of whether or not the work carried out is successful. In actual fact, trial and error is part and parcel of any R&D activity.
<b>2.</b>	<b>Only large corporations can benefit from R&amp;D claims</b>
<i>False</i>	SME's can also benefit from making a claim for R&D tax credits. As per Revenue's statistics, in 2017 31% of all R&D claims were made by companies with less than 10 employees. Finance Act 2019 introduced a number of amendments specifically aimed at increasing the attractiveness of the relief to SME's (for example, increased R&D tax credit rate from 25% to 30% and allowing a claim prior to the company beginning to trade). There are specific requirements to be considered a SME under the legislation.
<b>3.</b>	<b>Revenue always restrict/deny claims for R&amp;D tax credits</b>
<i>False</i>	Whilst it may be more likely that Revenue will conduct an audit of a return where a R&D tax credit claim has been made, if a proper R&D review has been undertaken in advance of the claim and if proper documentation has been kept an audit should not be an issue. In actual fact, the questions that Revenue will ask in an R&D revenue audit are well known and any R&D report should address these automatically. Preparation is key.
<b>4.</b>	<b>Where labour costs on R&amp;D have been capitalised, such costs do not qualify for the R&amp;D tax credit</b>
<i>False</i>	Irish tax legislation provides that a tax deduction is available for labour costs even where they have been capitalised as part of an intangible asset. Likewise for the purpose of claiming an R&D tax credit, the legislation specifically provides that even where a company capitalises expenditure for accounting purposes, it can still qualify for the R&D tax credit.
<b>5.</b>	<b>A claim must be made within 12 months of the end of the accounting period</b>
<i>True</i>	A claim for R&D tax credit must be made within 12 months of the company's accounting period in which the expenditure was incurred. The more common four year period to amend a corporate tax return does not apply to making an R&D claim. Revenue are very strict on the application of this timeframe.

<b>6.</b>	<b>All R&amp;D work qualifies for the R&amp;D tax credit</b>
<i>False</i>	Only “qualifying expenditure” can be included in the R&D tax credit computation. Advice should be sought to determine what does and does not qualify.
<b>7.</b>	<b>The R&amp;D tax credit is only available to companies that are creating ground-breaking new technologies</b>
<i>False</i>	You may be surprised as to what expenditure qualifies for the R&D tax credit, for example, developing a new means of processing data may qualify. Therefore, it is important that a suitably qualified firm is engaged to consider the availability of an R&D tax credit claim.
<b>8.</b>	<b>Where an R&amp;D Grant has been received, this reduces the amount of the qualifying R&amp;D expenditure</b>
<i>True</i>	Where expenditure is grant funded, the amount of the R&D expenditure should be reduced by amount of the grant for the purpose of quantifying the R&D credit.
<b>9.</b>	<b>R&amp;D tax credits are available on costs incurred on outsourced R&amp;D</b>
<i>True</i>	However, Revenue imposes a restriction on the quantum qualifying for an R&D tax credit claim. The restriction is based upon the greater of a percentage (5% for Universities and Institutes of Higher Education increasing to 15% as part of amendments introduced by Finance Act 2019/15% for other parties) of the payment or €100k, subject to the company incurring at least the same level of expenditure on qualifying activity itself.
<b>10.</b>	<b>Tax credits are of no benefit where a company is loss making</b>
<i>False</i>	Where a company does not have sufficient corporation tax payable against which to claim a tax credit, it is possible to make a claim for a cash payment. There is a restriction placed on the availability of a refund based on the aggregate of payroll liabilities for the current year and the preceding year or based on the amount of corporation tax paid by the company for the last ten years.
<b>11.</b>	<b>Where an EI/IDA/Horizon 2020 R&amp;D grant has been approved in respect of an R&amp;D project, Revenue will not challenge the “science test”</b>
<i>True</i>	Revenue have confirmed that where a company has been approved for one of the above grants, they will accept that the “science test” has been satisfied. However, this only applies to micro or small enterprises where the R&D tax credit claim is less than €50k.