

R&D Tax Credits - 2015 Review



On 14 January 2015, Revenue published updated Research & Development Tax Credit Guidelines, which include a number of very significant changes to previously published guidelines.

Whilst there has been no change to the legislation itself, and the guidelines themselves are not legally binding, they give a clear indication of Revenue's position on these areas.

Two key issues emerging from the revised guidelines are;

- > Reduced scope for inclusion of overheads
- > Stronger emphasis on documentation requirements

To discuss in confidence how the revised guidelines may impact on your R&D credit claim, please contact a member of our R&D team.

Notwithstanding the above changes, the R&D credit remains a significant driver for increasing R&D spend in Ireland - however, given the strict time limits that apply to claims and the requirement for contemporaneous documentation, companies should review their entitlements at the outset of each project to ensure that they do not miss out.

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 R&D spend.

The credit can be used to:

- > Reduce the company's Corporation Tax Liabilities,
- > Secure a Cash Refund over 3 years (e.g. where there are no Corporation Tax liabilities to offset it against),
- > 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 (note, Revenue more prescriptive in 2015 guidelines)
- > capital expenditure on plant and machinery / buildings used for R&D
- > payments to third parties to conduct R&D (subject to certain limits).

Recent changes have made the credit more attractive and more valuable to established SME businesses. Finance Act 2014 removed the requirement for companies to take account of base year (2003) expenditure when calculating qualifying R&D expenditure for periods commencing on or after 1 January 2015.

Is Your Business Eligible?

R&D is not just carried out by high tech multi-nationals in a lab setting – some or all research & development 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

How to Make a Claim

The credit is claimed on a 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

How can Russell Brennan Keane 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 maximise the amount of the claim (by claiming all eligible costs and related overheads) and assist you in the preparation of the 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 service

Contact Us

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



Jackie Masterson
Taxation Partner
T: (01) 6440100
E: jmasterson@rbk.ie



Fiona Murphy
Taxation Director
T: (090) 6480600
E: fmurphy@rbk.ie

Disclaimer

While every effort has been made to ensure the accuracy of information within this publication is correct at the time of going to print, Russell Brennan Keane do not accept any responsibility for any errors, omissions or misinformation whatsoever in this publication and shall have no liability whatsoever. The information contained in this publication is not intended to be an advice on any particular matter. No reader should act on the basis of any matter contained in this publication without appropriate professional advice.

DUBLIN

96 Lower Baggot Street
Dublin 2, D02 T049, Ireland
Tel: +353 (0)1 644 0100

ATHLONE

RBK House, Irishtown, Athlone,
Co. Westmeath, N37 XP52, Ireland
Tel: +353 (0)90 648 0600

ROSCOMMON

Castle Street, Roscommon,
Co. Roscommon, F52 NR79, Ireland
Tel: +353 (0)90 662 6750