

# RESEARCH & DEVELOPMENT

## Tax credit regime



# ▶ THE MOST VALUABLE FEATURES IN BUSINESS TODAY ARE PEOPLE AND IDEAS — IN PARTICULAR, PEOPLE WITH IDEAS

The Irish research and development (R&D) tax regime provides a 25% credit for qualifying expenditure on qualifying activities. This means that companies can now obtain an effective tax deduction of up to 37.5% with the possibility of the value of the R&D tax credit being refunded where there is not a sufficient level of taxable profits within the company/group.

Consider how much money your business spends when trying to develop or improve its products or processes. Now imagine you could reduce that by 25%.

## Features of the Irish R&D tax regime

Companies are entitled to a credit of 25% of the incremental R&D expenditure incurred in excess of the base year spend. The base year is 2003. If a company commences R&D activities after 2003 then the base year spend will be nil.

### The credit can be used to:

- Reduce the company's corporation tax liability of the period
- Reduce the corporation tax liability of the previous year, or
- If unused, the credit can be refunded by the tax authorities subject to certain restrictions.

The credit is in addition to the normal corporation tax deduction for the expenditure.

The claim must be made within 1 year of the end of the accounting period in which the expenditure has been incurred.

However, many companies are not actually aware that they are carrying out activities that may qualify for this lucrative relief. R&D activities are not limited to those that occur in a traditional research lab. In fact most claims are for experimental development which often takes place right on the factory or shop floor.

## Are you eligible?

If your company is one of the many that have yet to apply for this innovation-based tax relief, you could be missing out on significant amounts of tax refunds or credits.

### For instance is your company:

- Developing a new product or process?
- Improving existing products, methods or processes?
- Working to reduce the environmental impact of your manufacturing process?
- Working on the next generation of your technology?

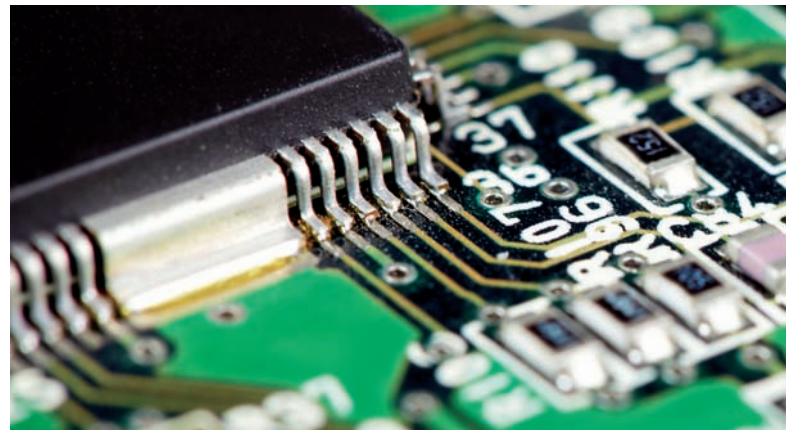
### The claim preparation process involves:

- Determining the eligible projects and the activities within them
- Preparing a technical report to describe the project
- Identifying the eligible costs that relate to the work
- Completing and filing the tax forms and technical report.

## BDO's R&D services

Our team combine **taxation experts** with **engineers and scientists** who can help you with all parts of the claim and ensure you receive the R&D credits and tax refunds to which you are entitled.

We work closely with our clients to ensure they meet the regime



### The BDO International network

As your needs expand globally, the BDO International network is in place to ensure that we can provide you with the up-to-date information you need to achieve your goals.

“You don't have to work in a lab or high-tech sector to qualify for this valuable relief.”



requirements, file the necessary forms and reports, and ultimately improve their chances of success with the R&D regime.

Companies who make successful claims then have the ability to allocate further funding to research and development activities on an ongoing basis.

**Technical report preparation** Technical descriptions are a critical and time-consuming part of any claim; in fact, if they are incomplete or unconvincing, the chance of making a successful claim can be reduced significantly.

Our team of engineers and scientists have 30 years of international experience preparing technical reports for R&D claims. We work to help you understand the R&D regime and its eligibility requirements and write the report for your approval. Also, since companies rarely consider all of the projects which are eligible under the R&D regime, we can also help you identify qualifying activities.

**Financial information** Business structures, transactions and complex legislation can significantly affect current and future claims. Along with the technical description, an organisation is required to ensure that the costs and activities it claims are eligible under the R&D regime. Let our experts assist you.

**Documentation systems** As claims require detailed documentation, the

apparent onerous nature of creating a continuous and adequate paper trail often discourages all but the keenest of companies. We work with you to identify and implement appropriate tracking programs, primarily relying on the documentation you already have. This will help support your claim without creating additional administration or special “R&D only” documentation.

**Claim reviews** We are there to help should your claim be selected for a more detailed review by Revenue. We attend the site visits by science advisors and financial reviewers appointed by the Revenue to audit your claims. Our knowledge of R&D legislation and experience with managing the claims processing can smooth the entire process and minimise disruption and stress.

#### R&D and your industry

The benefits of R&D tax incentives are available across all industries, including:

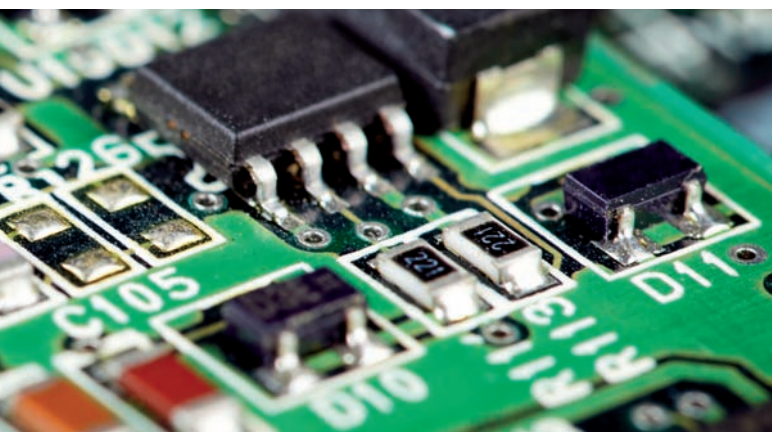
- Manufacturing
- Technology, software, gaming, hardware
- Financial services
- Medical device manufacture, biosciences, pharmaceuticals
- Plastics, chemicals
- Food production, processing, agribusiness
- Forest products, pulp and paper
- Mining, oil and gas
- Construction materials

#### Ongoing added value

The R&D regime is complex; but we can help simplify it for you. Our team is focused and can ensure you regularly obtain the credits to which you are entitled.

We often find that, in addition to preparing the technical submission, we can empower your people through training to recognise R&D activities and help them make claims in the future. This reduces the risk that you are only claiming a small portion of your qualifying activities.

We can also help you evaluate how any changes you make to the way you run or organise your business may unintentionally affect your R&D claims.



## FOR FURTHER INFORMATION PLEASE CONTACT:



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