

4 pitfalls to avoid when making an R&D tax relief claim.

Year on year, as more businesses become aware of their eligibility, the number of R&D tax credit claims is steadily increasing.

In a report published last year on the gov.uk website, it was revealed that 22% more companies had claimed R&D tax credits in the year to March 2016, compared to the previous year.

CLAIMING FOR R&D TAX CREDITS IS COMPLICATED, HOWEVER. THE LEGISLATION IS DIFFICULT TO UNDERSTAND AND INTERPRET.

You also need to know what technical information to include and be aware of any potential technological advances involved. Without all this, you're risking submitting an inaccurate claim.

To help you, we've summarised **THE TOP PITFALLS TO LOOK OUT FOR** when submitting a claim:

1. UNDERCLAIMING

It's easy to underclaim by missing out important costs you might not know were eligible. Whilst erring on the side of caution can go a long way to avoiding the terrifying pitfalls of putting together an R&D tax relief claim, being too cautious can mean losing out on substantial sums of money.

2. UNCLEAR ELIGIBILITY

You risk an enquiry if you are not clear about the eligibility of your projects. You know you are doing R&D, however HMRC need it explained in a way that shows the complexity of your project, but in simple terms. If they do not understand your supporting report they will question your eligibility.



We contacted ABGI to help us address the various questions HMRC was asking about our claim. ABGI dealt with HMRC directly, which released us from the stress of the enquiry. They spoke HMRC's language, answered all their questions and dealt with all their challenges and made the process straightforward and painless for us.

| MIKE ALLAN
| DIRECTOR
| LENDINGCROWD



3. GRANT IMPLICATIONS

That tiny grant you took can have a big impact on your claim. If even a penny of state aid touches the costs of an R&D project, the whole project suddenly ends up in the large company RDEC scheme. Which means that if you have £100,000 of eligible expenditure, that £1000 you accepted to help out on a project has dropped your potential tax credits from £25,000 to around £10,500.

4. SUBCONTRACTING COSTS

If you don't have clear contracts in place HMRC might not accept your subcontracting costs. Consider that company you subcontracted to help with your R&D - do you have a contract that shows they were employed to carry out your R&D? No? Well you might be in trouble, HMRC currently do not ask specifically for contracts but if an enquiry arises they'll want to see how every penny was spent on R&D.

THE GOVERNMENT WANTS TO ENSURE THAT ONLY THOSE ENTITLED TO TAX BENEFITS GAIN ACCESS TO THEM, AND THIS ALSO APPLIES TO R&D TAX CREDITS.

DON'T RISK IT

If you get it wrong, HMRC can open an enquiry and ask for their money back any time (even years) after you've submitted the claim. At ABGI-UK, we only see less than 1% of our claims being spot-checked by HMRC. This is entirely due to our well-trained, experienced staff and our quality processes. These guarantee a robust, persuasive narrative and properly assessed figures.

We've defended each and every queried claim successfully, achieving a 100% strike rate for our partners and clients. This means that we maintain an excellent reputation with HMRC, who see us as experienced, knowledgeable and reliable when writing persuasive narratives for R&D relief claims.

For a free R&D tax credit consultation and analysis of the potential returns you might expect from your projects, contact the ABGI-UK team

About ABGI

ABGI is an international leading tax incentive and innovation management advisor. We help companies accelerate financial performance, innovation and business expansion by capitalising on their R&D and innovation activities, in compliance with all rules and regulations. **Whatever innovation funding challenges you face – in the UK or internationally – we can help.**