



OUR SERVICES

R&D Tax Credit

Research and Development Tax Credit
(RDTC)

Money spent by a company on research and development activities may qualify for the R&D Tax Credit – the RDTC.

The RDTC is calculated as 25% of the expenditure incurred on qualifying R&D activities. The same expenditure can also be taken as a corporation tax deduction or capital allowance for capital expenditure, which is the equivalent of a 37.5% tax break. Finance Act 2019 provided for an enhanced RDTC scheme for SMEs although this has not yet been signed into law.

The relief is given on qualifying expenditure incurred on a qualifying activity by a qualifying company.

A company must also pass two tests – the science test and the accounting test. The science test is used to determine whether the spend was incurred on a qualifying activity and the accounting test determines the amount of spend that qualifies for the relief. We help you assess the elements of the claim that relate to the accounting test to maximise the amount of expenditure that qualifies for the relief.

If the company is paying tax, the RDTC is offset against the corporation tax for that year and the previous year.



If there is an excess of credit available, or if the company does not have taxable profits, the credit is given as a repayable credit, spread over three instalments. This is available if the company has payroll tax liabilities.

Otherwise, it can be carried forward to be offset against tax on future profits. Given that R&D spend is made up mainly of labour costs, the RDTC should be a valuable source of cashflow when overheads, especially staff costs, are high.

A company may qualify for the R&D Tax Credit if:

- it is within the charge of CT in Ireland
- it carries out qualifying R&D activities in Ireland or the European Economic Area (EEA)
- the expenditure does not qualify for a tax deduction in another country

The cost of outsourced R&D activities may also qualify for the relief provided it is matched by in-house qualifying spend and subject to certain limits.

What are qualifying R&D activities?

To qualify for the R&D Tax Credit, a company's research and development activities must:

- involve systemic, investigative or experimental activities
- be in the field of science or technology
- involve one or more of these categories of R&D:
 - basic research
 - applied research
 - experimental development
- seek to make scientific or technological advancement
- involve the resolution of scientific or technological uncertainty.

Claiming the RDTC

The claim is included in the company's corporation tax return Form CT1 for the financial period during which the expenditure is incurred and must be submitted on ROS. Careful attention must be paid to completing all the relevant boxes as incorrectly completing the return could result in the claim not being allowed.

The company must ensure that it meets all the requirements before applying.

It is vital that claims are made within 12 months from the end of the accounting period in which the expenditure is incurred. Claims made outside of this timeframe will not be permitted.