



# Research & Development Tax Credit Audit Programme

**Revenue Commissioners**  
Corporate Business & International  
Division  
*Dublin Castle*

*John Browne*



# Introduction

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- The role of Dublin Castle.
- Why is there an R+D tax credit?
- Topics I will cover.
  - Audit process.
  - Use of external experts.
    - Why?
    - How?
    - Who are they.
    - What do they need?
- Issues with scheme and audit programme.



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# Audit Process?

- How?
- 23 Question aspect query versus full audit.
- Is it different to a “normal” audit.
- Code of practice.

“R+D is the single most important corporation tax credit so is part of the Corporation Tax audit programme.”

## **8. Research and Development Activities**

Essentially only expenditure incurred in carrying on Research and Development activities may qualify for the tax credit. Qualifying activities must satisfy all of the following conditions. They must be:

1. Systematic, investigative or experimental activities
2. In a field of science or technology
3. One or more of the following categories of research and development:
  - Basic research,
  - Applied research, or
  - Experimental development.

In addition they must:

4. Seek to achieve scientific or technological advancement, and
5. Involve the resolution of scientific or technological uncertainty.



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# Audit process.

- Notification.
- Agreement of dates and arrangement with external expert.
- Case manager will accompany expert.
  - Obligations for company.
    - To be willing to show relevant areas.
    - To have information ready.
    - To make a relevant quality presentation to the external expert.
- The role of the case manager.**
- The role of the external expert.**



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# End of audit?

The case manager will reach a final position.

Everybody in Agreement.

- If there are no issues then the case manager will bring it to a close in the normal fashion.

Parties do not agree.

If agreement cannot be reached then case manager will raise assessments on the company. Potential interest and penalties might be applied if appropriate.

Possible Appeal.

- The company have the right to appeal so it might move to that arena.
- The expert will be expected to take the stand and give evidence.



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# External expert.

- Legislation.
- The reasoning.
- How are they picked and what are their qualifications.
- Confidentiality.
- Dusty academics and blue sky reseach.
- They must compile and submit a report that tells Revenue four things.
- How do they do that?



# Qualifying Research and Development Activities

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- Research and Development *Activities*

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- Research and Development Outcomes



Required Supporting Documentation  
Project based  
(Evidence based / Primary records)





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- 12.1 Records Required To Be Maintained To Satisfy The Science Test

- details of systematic investigation:
- the hypothesis advanced
- the series of experiments or investigations undertaken to test the hypothesis, **examples of experimental results and analysis**
- documentary evidence of the necessity for each major element and how it fits into the project as a whole
- dated documents of the original scientific or technological goals, the progress of the work, how it was carried out and the conclusions
- indicators or measures identified at the commencement of the project to determine if the scientific or technological objectives of the research and development activities are met



# Issues.

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- This is forward looking incentive. Not going to work if gathering up afterwards.
- Issues from the experts:
  - Poor documentation.
  - Not being briefed by technical people.
  - Poor presentations on site visit / lack of quality information.



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# Issues.

- For the accounting side:
  - Over allocation of costs. “Kitchen sink” costs are not uncommon.
- Incorrect application of subcontractor rules.
  - Revenue are clear on sub contracting rules.
- Unfair and unreasonable apportionment of:
  - Apportionment of Plant & machinery.
  - Allocation of salary (including directors’) costs.
  - Allocation of overheads.
- Over claiming of payable credits.
  - E.g. 100 % versus 33%.
- Understatement of base year expenditure.
- When did R&D start and cease? Technical and accounting problem.



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# Conclusion

- Number of audits versus number of claims versus yield.
- It's a mainstream part of CT now.
- Increased need of technical people to take it on board. Need to place it and the documentation requirements as an everyday part of the work and planning.
  
- Feedback on the policy tells me that it is supporting R+D.
- I'm interested in hearing feedback from industry.
- Specific problems from industry.
  - Thank you.
  
- [rdadmin@revenue.ie](mailto:rdadmin@revenue.ie)