

Research and Development tax relief – our approach to handling claims within the specialist R&D units.

The UK's R&D tax incentives for SMEs and large companies are designed to encourage greater R&D spending in order to promote investment in innovation. The strong message from business is that simplicity, consistency and certainty are key in achieving the aims of the relief. In response, and to improve the administration of the incentive, the Government has set up specialist R&D units to deal with all R&D claims outside the Large Business Service. This practice note details the service companies and their advisors can expect to receive from the specialist R&D units.

We will be sympathetic and supportive when dealing with queries from companies or when making enquiries into their claims. In return we expect companies to be open and clear about their R&D activities and to be helpful and co-operative should HMRC staff have any queries concerning their claims.

The specialist R&D units will have a role in promoting the R&D tax relief schemes and they will also focus on improving the consistency of claims treatment, in helping companies to prepare accurate claims to R&D relief, and on achieving a balanced focus on non-compliance.

Getting it right

We will provide support and advice to companies and agents who contact us with queries about the R&D tax relief regimes so that they are able to make timely and accurate claims to relief.

- We provide a template at <http://www.hmrc.gov.uk/randd/rd-claim-template.xls> and publicise our best practice guidance on the HMRC website, at <http://www.hmrc.gov.uk/randd/intro.htm> , to help companies prepare their claims.
- We will advise companies on the nature and extent of records they should keep in support of a claim.
- To improve customer service the specialist R&D units will deal with companies based on their Registered Office or, if different, the location of their main R&D activities. We will publish the locations of the specialist R&D units and the geographical areas dealt with by each so that companies will know to which office they must submit their claim.
- Companies that currently send their R&D claims to either the Pharmaceutical or Small Company Enterprise centres will not be affected by the changes above and will continue to send their claims to their existing offices.

Once filed

- We will issue 95% of payable tax credit claims within 28 days of receiving the claim in the R&D specialist unit. If we decide not to make a payment because we think the claim may be incorrect, then we will open an enquiry within 30 days of receiving the claim. To avoid doubt, this statement does not replace the statutory time limits for making enquiries into corporation tax returns. If we decide to make a payment then we may make an enquiry into the claim within the statutory time limit.
- For most companies making R&D claims, all of the company's corporation tax issues will be dealt with by the R&D specialist unit.

- However, claims made by larger companies which are part of a group, or have a number of complex issues within their return, will continue to be dealt with by the company's existing tax office. However, an officer from one of the specialist R&D units will be responsible for any aspect of the enquiry relating to the R&D claim. We will provide companies with the name and contact details of the officer in these circumstances.

Conduct of enquiry

- All company tax returns are subject to a risk assessment process. The overall objective of any enquiry, whether it is into the R&D claim or any other aspect of the company tax return, will be to ensure that the company is in receipt of the correct amount of relief and that it has paid the correct amount of tax. After the enquiry the company will, if necessary, be advised on how to improve the content and accuracy of its return and any claims for later years.
- During the course of an enquiry an officer from a specialist R&D Unit will normally make arrangements to travel to the company premises to discuss the claim with the company's management and technical experts.
- During the course of an enquiry we will request the information needed to confirm that the company is undertaking R&D as defined by the DTI guidelines and claiming for qualifying costs.
- We will keep our requirements for the production of records to the minimum compatible with reasonable assurance. To this end we will aim to ask for all information as early in the enquiry as possible. However, it may be necessary to request additional information if new issues emerge during the course of an enquiry.
- Where a payable credit is withheld during an enquiry we will keep under review the possibility of making interim payments as the enquiry progresses.
- The officers handling the company's affairs will not hold themselves out to be scientific or technological experts. However where appropriate they will need to ask questions of the company's technical experts to establish their scientific or technological background and that they understand and have correctly applied the definition of qualifying R&D.
- We will keep companies informed of the progress of the enquiry. If at any stage a company feels that it has not been informed it can contact the relevant R&D unit head who will explain what is happening and what the next steps towards resolving the enquiry are.

More information about R&D relief can be found at [Research and development tax credits](#)