

# Software

## R&D Tax Relief for Northern Ireland Businesses



### Did you know?

Whether you're already claiming R&D tax relief or just considering your eligibility, it's essential to remember that R&D doesn't just happen in the laboratory – quite often it's the work a company would consider to be a day-to-day activity: developing a new product; devising or making improvements to a production process; trying out a new material to reduce costs. The list is extensive, and with potential savings available, it's worth checking if your activities meet the criteria.

### Overview of R&D Tax Relief scheme:

- As of 1 April 2016, large companies will be able to claim relief under the new 11% credit regime (10% prior to 1 April 2015). The receipt is a taxable credit of 11% of the qualifying expenditure, which at the main rate of corporation tax (20% from 1 April 2015) gives a net cash benefit of 8.8%. The credit must be used to settle corporate or other tax liabilities due to HM Revenue and Customs, before any cash amount becomes payable to the company.
- For SMEs the additional deduction is 130% (125% prior to 1 April 2015) of qualifying expenditure. Additionally, for loss making SMEs only, there is the option to surrender the loss resulting from the

enhanced R&D spend for a cash sum from the government. This is currently worth up to 33.35% (32.625% prior to 1 April 2015) of the original qualifying expenditure.

- For both the large company and SME regimes it is only the R&D proportion of any mixed expenses that can be claimed. The main qualifying categories for relief are staff costs, payments to externally provided workers, costs of consumables used or transformed in the R&D, and costs of software licenses where the software is used in the R&D.
- There are slightly different rules for Large and SME companies, particularly around the use of group or third party resource. Broadly, relief on expenditure on subcontracting R&D to other entities is generally available for SMEs, but not for large companies.

### Registration/claim process:

- Claims are made within the corporation tax return. The R&D incentive must be claimed within 2 years of the end of the accounting period in which the expenditure was incurred. This can be done within the original corporation tax return or by amendment to the return within the time limits.

## Our Practice

- KPMG's R&D practice is a multidisciplinary practice comprising highly trained tax and finance professionals, chartered engineers and PhD scientists working solely on R&D tax credit claims. Our practice has grown organically and now comprises of 19 members. This gives us the breadth and flexibility to prepare claims in an efficient manner.
- We have dedicated SME and large company teams within the practice to help ensure our service is tailored to our clients' needs.
- We make sure all our claims are audit-ready, working with clients to take appropriate tax and technological positions that satisfy the legislation.
- We have built a bespoke claim methodology, which has been tried and tested under a significant number of audits in every sector.
- We are a founding member of KPMG's Global R&D Incentives Practice, an international network of specialist R&D practices with over 300 professionals working full-time on R&D tax incentives claims.

## Claim Preparation

- Identify the full range of eligible R&D activities (scientific/technical review).
- Calculate the associated expenditure ( financial review).
- Review all projects to ensure all eligible expenditure is included.
- Prepare the required technical reports and submit them to HMRC.
- Collate the relevant documentation to support the claim.

## Post-Claim

- Provide pre-audit support and attend audits.
- Determine a step-by-step plan to ensure HMRC enquiries can be fully answered.
- Attend site visits.

## Future Projects

- Educate you on the scheme to help ensure your projects are planned with the tax relief in mind from the outset.
- Advise you on how to maintain your documentation and records for future claims.

## Health Check

- Determine any necessary steps that need to be taken to help ensure previously led claims adhere to the guidelines.



### **Our experience:**

KPMG's R&D Incentives Practice has worked with some of the world's most innovative software companies, including 3 of the 5 largest. We also work with many SME's in the software sector giving us broad experience.

### **Potentially qualifying R&D activities:**

- Integration of non-relational databases, secure cryptoprocessor, & VM internet servers; Development of a custom, geographically distributed, transaction based, enterprise wide, operations, reservations, billing, and inventory yield management system to replace an ageing and simple UNIX terminal based main-frame reservation and contract recording system.
- Network Failure Problems; Determine why the high-speed network does not meet the original design criteria, and to take correction such that the network will facilitate 6000 high-speed access ports, with 50,000 concurrent transactions, at a maximum 25% reduction in response time.
- Compression Algorithm; Develop a new compression tool for GIS information with the capability of compressing a 100 MB down to 2 MB. This has to be accomplished with less than 2% data loss.
- Scaling vs. speed vs. compression; Analysing and determining the optimal trade-off between scaling, speed and compression on multiple computing platforms.
- Data warehouse management techniques; Improvement of data warehouse management techniques by investigation and experimentation on the compression of non-relational database tables.
- New algorithm for analysing and displaying big datasets; Development of a new algorithm to search a particular dataset to locate elements to display 3D images based on parameters selected by a user.
- Cloud Computing in a manufacturing environment; Development of new compression algorithm to enable working image compression firmware for the specific microprocessors in use.
- Integration platform; Development of a consistent cross-component integration platform, via a common and standardised UI infrastructure for all relevant components.
- New mechanisms; Development of scalable, high-utilisation mechanisms for data integration of heterogenous data sources on JPaaS.

# Contact us



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