

R & D Tax Relief - Qualifying Projects

Qualifying Project Tests

The definition of R&D for tax purposes is based on the generally accepted accounting treatment of R&D and upon detailed guidelines produced by the former DTI in 2004. It includes both work on existing products and in bringing about a new trade or extension to an existing trade.

To help confirm that a project falls within these criteria please provide brief answers to the questions below: -

Project Name:	HMRC Guidance
<p>1. What scientific or technological advances were sought? <i>What were the technical aims of the project?</i></p>	<p><u>Concentrate on the science and technology</u> Rather than stating the product, process or functionality being developed, consider what scientific or technological advance is being sought. This focuses attention on the project's aim for an advance. This is important in judging whether or not R&D for tax relief purposes is being undertaken.</p> <p><u>Some activities aren't science</u> Science doesn't include work in the arts, humanities and social sciences (including economics).</p> <p><u>"Commercially innovative" isn't enough</u> It's not enough that a product is commercially innovative. You can't claim in respect of projects to develop innovative business products or services that don't incorporate any advance in science or technology.</p>
<p>2. What were the scientific or technological uncertainties involved in the project?</p>	<p><u>Did you really encounter "uncertainty"?</u> Scientific or technological uncertainty exists when knowledge of whether something is scientifically possible or technologically feasible, or how to achieve it in practice, isn't readily available or deducible by a competent professional working in the field.</p> <p><u>Not every problem is an uncertainty</u> But uncertainties that can be resolved through relatively brief discussions with peers are routine uncertainties rather than technological uncertainties. Technical problems that have been overcome in previous projects on similar systems aren't likely to be technological uncertainties.</p> <p><u>Set out what happened</u> In your claim, you should set out at a high level, in a way that can be understood by someone who's not an expert, what the uncertainties were and when they started and ended.</p>

3. How and when were the uncertainties actually overcome?

If the uncertainties were not overcome, explain what happened.

Describe the methods used to overcome the uncertainties and the investigations and analysis undertaken. This shouldn't be in great detail, but enough to show it wasn't straightforward.

Describe the successes and failures and the impact of these on the overall project. If the uncertainties weren't overcome, explain what happened.

Remember that the commercial failure of the product or project does not mean that R&D was not present. And if the scientific uncertainties weren't overcome, that can still mean that the work to address the uncertainties can be R&D.

4. Why was the knowledge being sought not readily deducible by a competent professional?

What is the current state of knowledge elsewhere in this area, such as competitor products and patents?

Explain the uncertainty in the context of the known state of the field of research

It might be publicly known that others have tried to resolve the uncertainties and failed. Or maybe others have resolved the uncertainties, but precisely how it was done isn't in the public domain. In either case a valid technological uncertainty can still exist.

What if there's limited available information about the state of the field of research?

If there's little public information available about the project, you'll need to show that the people leading it are competent professionals working in the relevant field. This might be done by outlining their relevant background, professional qualifications and recent experience and then have them explain why they consider the uncertainties are scientific or technological uncertainties rather than routine uncertainties.

Whichever is appropriate, set out the details and have evidence available if needed.