

# Food & Drink

## 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 2020, large companies will be able to claim under the R&D Expenditure Credit regime at a rate of 13% (12% prior to 1 April 2020 and 11% prior to 1 January 2018). The 13% credit provides a net cash benefit of 10.53% of the qualifying expenditure. The credit must be used to settle corporate or other tax liabilities due to HM Revenue and Customs, before any excess cash amount becomes payable to the company.
- For SMEs the additional deduction is 230% 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% 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.

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## 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 over 20 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.

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## 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.

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## 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.

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## 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.

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## Health Check

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

KPMG's R&D Incentives Practice has worked with the most innovative firms in the food and drink sector on the Island of Ireland. Our clients include consumer food and ingredients manufacturers, large and small meat and poultry processors, two of the world's largest drinks companies along with various bakeries and dairies.

### Potentially qualifying R&D activities:

- Improving efficiency of meat processing: Developing a unique robust process to produce a large number of high quality meat units per week as close as possible to a minimum weight that will be acceptable to the customer.
- Develop systems: To develop a non-contact in line measurement system in the dairy industry to frequently and accurately measure COD (Chemical Oxygen Demand).
- Microbial management: The use of new processes or materials to reduce microbial contamination during meat processing.
- Product shelf life: Design and develop a unique, flexible, robust and reliable solution for the production of 100% leak proof packaging for meat (of varying sizes) in an attempt to prevent the spread of bacteria to retail shelves.
- Raw material substitution: The substitution of raw ingredients in food production process while maintaining current quality levels and adhering to industry standards.
- Improve quality: Developing methods to significantly improve the eating quality of meat (tenderness and flavour) using novel technologies such as dietary supplements, temperature maturation, DNA screening and tenderness prediction tools.
- Product development: Developing a unique process to produce a low fat, high quality coated product using a fry free coating process.
- Plant Development: Developing a state of the art plant with a fully automated production line to produce a high volume of output using innovative technologies and processes that will reduce headcount and achieve a consistent output.
- Distribution Centre Development: To design, build, commission and operate a distribution centre incorporating advanced warehousing automation to cater for increased outputs, to improve product traceability, reducing headcount, driving efficiencies while balancing operational time constraints with risk and reward of technological advancements.
- Coping with a throughput of 10,000: To develop a high speed line in a bakery that has the ability to handle multiple recipes and that would produce four categories of bread at high output levels of 10,000 units per hour.
- Improving processes: Develop new concentrate technologies to produce beers locally of matching quality to those produced by the traditional brewing process.
- Eliminate waste: Design and develop a fermentation process to manage the microorganisms which cause off flavours thereby eliminating spoilage.

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