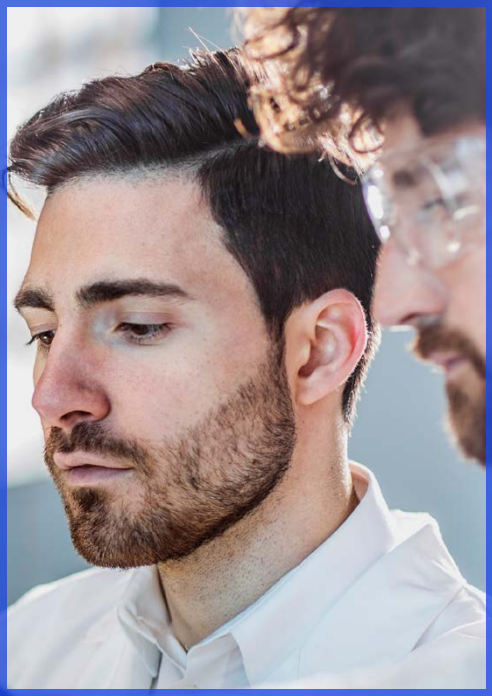
KPMG

Life Sciences

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.

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.

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

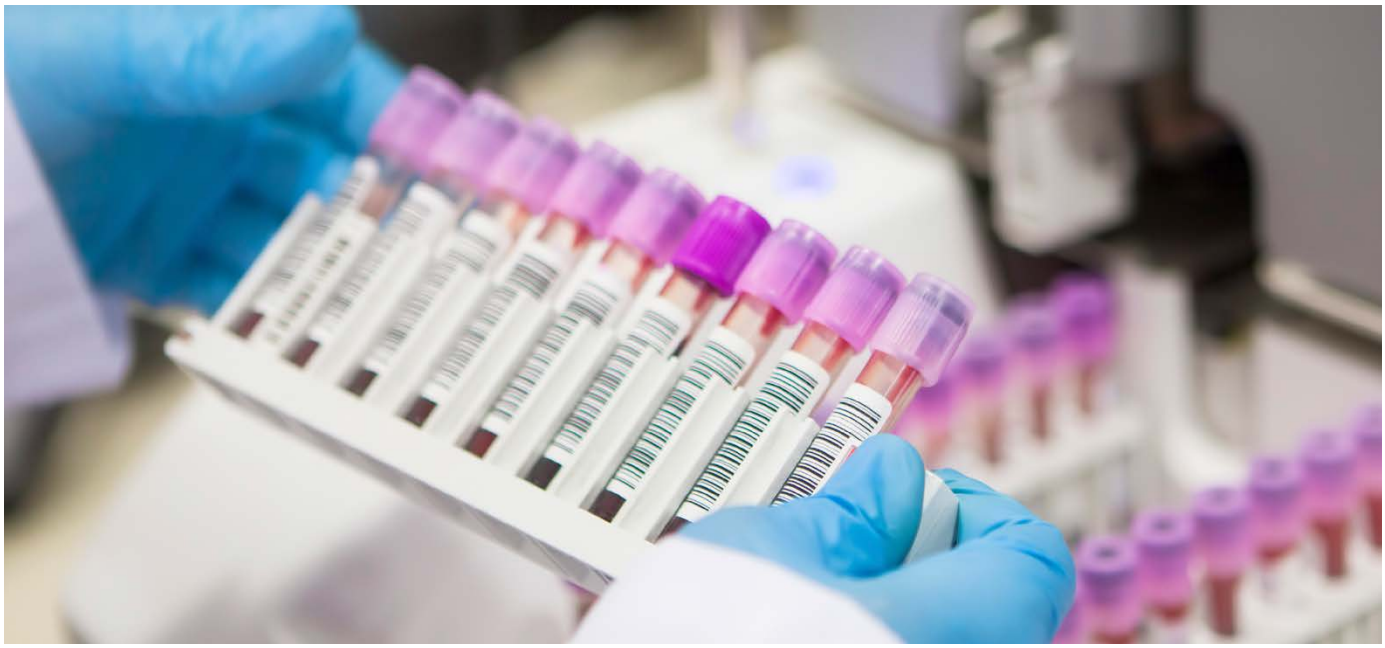
- Provide pre-audit support and attend audits.
- Determine a step-by-step plan to ensure HMRC enquiries can be fully answered.
- Attend site visits.

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 largest and most innovative life sciences companies. We also work with many SME's in the life sciences sector giving us broad experience.

Potentially qualifying R&D activities:

- Product shelf life: Development of improved technologies for the longer term storage of sensitive compounds.
- Microbial detection: Develop new technologies for more rapid identification of microbes of interest. Extending the capability of current detection methodologies to increase the scope of use in the medical, veterinary and quality monitoring fields.
- Contamination: Improving processes to reduce microbial contamination during manufacture of sensitive products.
- Monitoring: Improvements in the speed and range of toxicology testing.
- Formulation: Advances in the formulation of compounds for improved specificity, bioavailability, reduction of side effects or change in administration route.
- Molecular biology: Improvements in technologies associated with sample preparation, processing, amplification of nucleic acids to reduce cross contamination, improve assay specificity or shorten assay time.
- Product improvement: Development of improved materials for medical devices to reduce microbial colonisation and improve patient safety.
- Oncology: Development of new technologies for improved detection and screening. Technologies that improve the scope and speed of existing tests and the development of new assays for the detection of earlier stage biomarkers for earlier diagnosis.
- Veterinary: Development of new products for the detection, treatment or prevention of commercially relevant diseases of farmed animals and fish such as mastitis, Foot and mouth disease and Johne's disease.
- Immunology: Development of new technologies for the study of immune molecules such as cytokines, chemokines and antibodies.
- Plant development: Development of state of the art plant for the production, packing and storage of new biologicals in a highly automated and aseptic environment.
- Biotechnology: Improvements in industrial enzymes for more efficient activity at reduced cost conditions.
- Instrumentation: Design and development of new imaging technologies for enhanced diagnostics and earlier identification of disease states.
- Informatics: Improvements and new developments in IT solutions for handling and storage of bioinformatics data.
- Devices/ implants: Material substitution for the production of products at current high calibre of quality at a lower cost.

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