

Construction

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.

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.
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Our experience:

KPMG's R&D Incentives Practice is seeing an increase in activities that qualify for R&D claims within the construction industry. Whilst not typically regarded as an industry that carries out R&D activities, construction firms are often faced with technological uncertainties that require R&D to overcome them, and in doing so achieve an advancement in technology.

Potentially qualifying R&D activities:

- Extending the useable life of buildings using innovative materials or construction techniques. This can involve using materials and techniques used in different industries or environments and adapting and applying these for use in the construction industry.
- Design and use of pre-fabricated modules or units in order to improve the quality and logistical difficulties of construction projects. This can involve using pre-fabricated units to be able to provide additional or interchangeable functionality to a construction project, or reducing on-site construction time by moving the fabrication of modular systems away from the construction site.
- Development of new construction practices in order to overcome previously prohibitive ground conditions for a building site. This may involve the adaptation and use of practices used in different environments or projects to address challenging conditions that would previously have rendered a construction project unfeasible.
- Development of eco-friendly building designs and solutions to significantly increase efficiency of buildings. This could involve the incorporation of new or existing technology into a construction project in which the technology would not have previously been used, or novel solutions to improve the energy efficiency of construction projects or the finished building being constructed.

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