

R&D Tax Credit

**Information to
be retained to
support claims**



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Research & development tax credit

Information to be retained by the Company in support of claims

To avail of the R&D tax credit the company must be in a position to demonstrate that its claim can satisfy two essential tests. Records must be kept to satisfy both tests. This requirement applies equally to the threshold period as it does to the relevant period. In the event of a claim being selected for examination by Revenue records for the threshold period (2003) must be available for inspection.

The Science Test - That the activities under review are consistent with the statutory definition of research and development activities.

The Accounting Test - That the expenditure claimed as being laid out on qualifying research and development activities are correctly so claimed.

Records required to be maintained to satisfy the Science Test

- a) A description of the research and development activities, the methods to be used and what the company seeks to achieve by the undertaking the activities concerned
 - b) The field of science and technology concerned
 - c) The scientific or technological advancement that is the goal of the research and development activities, and
 - d) The scientific and technological uncertainty the company is seeking to resolve by those activities,
 - e) Details of systematic investigation including
 - the hypothesis advanced
 - the series of experiments or investigations undertaken to test the hypothesis
 - documentary evidence of the necessity for each major element and how it fits into the project as a whole
 - dated documents of the original scientific or technological goals, the progress of the work, how it was carried out and the conclusions
 - indicators or measures identified at the commencement of the project to determine if the scientific or technological objectives of the research and development activities are met
 - the qualifications, skill and experience of the project manager
 - the numbers, qualifications and skill levels of other personnel working on the project
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Given the high cost of research and development activities and the requirement for on-going monitoring inherent in such projects, the records required for Revenue purposes should generally be available within a company for its own internal purposes. The company will, in any event, need to document the project and the information required may be contained in:

- status and/or progress reports
- notebooks, lab reports, patents, and patent applications
- notes of problems encountered in the course of the project that identified areas of technological uncertainty and experimental development
- feasibility plan and/or outline methodology adopted
- files on personnel involved in the project

Records required to be maintained to satisfy 'The Accounting' Test

Sections 886, 887 and 903 of Taxes

Consolidated Act 1997, Section 16 VAT Act 1972

and VAT Regulations 1979 all impose obligations on a taxpayer to keep certain books and records. The maintenance of these records is required to enable a taxpayer to make true tax returns and in the event of Revenue audit to demonstrate that the credit claimed is correct.

Manner of Record Keeping

It is important that-

- All entries are made on a timely and consistent basis.
- All records are kept on a continuous basis.
- All linking papers to accounts are kept.

Where data is stored electronically the claimant company must be able to provide a reliable assurance as to the integrity of the record from the time when it was first generated into its final electronic form

Section 766 provides that a company will not be a qualified company unless it maintains a record of expenditure incurred by it in the carrying out by it of research and development activities.

Squires Gilbride - Chartered Accountants & Advisors are located in Dublin, Ireland.

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