

## HMRC Builds on Specialist R&D Unit Infrastructure with Claim Practice Note

Following their setting up of specialist units for dealing with R&D tax credit claims, HM Revenue & Customs have now issued a practice note setting out how the units will handle claims. This is part of a wider initiative aimed at achieving greater consistency and certainty for R&D tax relief claimants that has included training in aspects such as software R&D.

The practice note could be seen as a "contract" between HMRC and R&D claimants. On their part, HMRC will adopt a sympathetic and supportive approach towards companies making claims, on the understanding that in return, companies are open and clear about their activities whilst being helpful and co-operative if their tax inspector has to raise an enquiry.

The note sets out a standard of issuing 95% of tax credit payments within 28 days of receipt or, if an enquiry is to be made, notifying claimants within 30 days. It is expected that if a tax credit payment has been made, a subsequent enquiry will be less likely than in the past. However it is also made clear that if a company receives a payment, HMRC reserves the right to make an enquiry within the normal time limit which in most cases is two years after the company's year end.

As anticipated, the indications are that enquiries will be conducted largely through a visit to the company's premises to enable a face to face discussion with the technical personnel involved. Finally, HMRC make clear that inspectors will not hold themselves out to have specialist technical knowledge but will look to the claimant company's own technical personnel to demonstrate satisfactorily that they are competent professionals in their own field, they understand the definition of R&D used for tax purposes and are therefore able to identify and describe the scientific or technological advance and uncertainties on which the claim is based.

The full text of the practice note can be accessed at <http://www.hmrc.gov.uk/randd/practice-note.pdf>

Businesses will now hope that, with HMRC having set measures such as this in place, the process of claiming R&D tax credits will indeed be more consistent and certain. If anything, however, it makes it even more important that claims should be robust, based on a solid understanding of the company's technology and the tax rules surrounding claims.



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If you would like to discuss any aspect of R&D tax relief, please contact Pronovotech on 01223 235500 or by e-mail to [richard.lewis@pronovotech.com](mailto:richard.lewis@pronovotech.com)