

# Information Sheet



## R&D – Revenue Audit

- 1570 companies filed claims in 2014
- In 80% of audits settlements were made, 26 of 32 firms made incorrect claims, mainly 'accounting errors' ( Irish Times, 12-08-2013)
- Revenue may write typically requesting;
  - Number of R&D projects undertaken
  - R&D activity summary per project
  - Date project commenced/ceased
  - Whether claim is s766 or s766A
  - State amount of 2003 expenditure threshold amount
  - Confirm all group expenditure is included in the amount
  - State the scientific / technological advancement the company sought to achieve/resolve by project
  - Once the uncertainty was resolved, confirm no further expenditure has been attributed to the R&D claim
  - Was the solution already known to a competent professional in the field
  - Qualifications of each project leader
  - Confirm which of the following categories the activities fall under
    - Basic research
    - Applied research
    - Experimental development
  - Where did the R&D take place

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- How much expenditure was paid to third part contactors or service providers ( utilities excluded), University or Institute
- Outline the work carried out by other parties
- Where expenditure has been allocated to R&D by apportionment, please indicate the method and calculation
- Where the expenditure incurred relates to plant & machinery, please state what percentage relates to R&D over the useful economic life of the asset
- Confirm details of any grant received towards R&D
- Provide a calculation of the tax credit claimed with an itemized analysis of each expenditure.



## The Audit

- A **Science Test** is carried out by Revenue qualified personnel
  - Done on site
  - Project lead must present the case to the Revenue
- An **Accounting Test** is then done – ensure expenditure is ‘wholly & exclusively’ carried out
  - Reasonableness of costs
  - Calculations, methodology of capturing the expenditure
  - Staff costs, invoices, materials

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The Revenue experts may rely more so on the guidelines than the legislation. These guidelines have changed significantly over the years. Retain a copy of the guidelines that prevailed when the claim was made. Typically there is a significant time delay from claim made to an audit. The vast majority of R&D revenue audits end in settlements. Be aware of the charter of rights and opportunity to make voluntary disclosures.