

Best Practice for...

# Avoiding HMRC Enquiries

No company wants to be subjected to a stressful HMRC enquiry, but armed with the correct knowledge and experience you can vastly reduce the chances of an enquiry into your R&D tax relief claims, which is one less thing to keep you awake at night! Here are our recommendations for making successful, enquiry free claims:

## Understand the meaning of R&D

Firstly, and most importantly is a need to understand what qualifies as research and development (R&D) as defined by HMRC's guidelines, and how this is reflected in a company's work. Since their introduction of the programme, HMRC has refined its interpretation of the guidelines, so in order to make a claim that doesn't raise any questions it's crucial to be aware of HMRC's most up-to-date viewpoint. It can be hard to identify which activities within a project are classed as R&D, even when the project as a whole falls under the R&D banner. Making sure a company is able to specify exactly which aspects of its work are R&D, as described by the HMRC guidelines, ensures that the claim is robust and far less likely to come under scrutiny from HMRC.

## Understand what is *not* R&D

In addition to pinpointing the activities that can be included as R&D, it is also important to understand those that are not eligible. R&D tax relief cannot be claimed for routine company work, so making a successful, question-free claim is dependent on differentiating the everyday functions of a company from those that are genuine R&D. Working alongside the technical team carrying out the research is the best way to make an accurate assessment, as they are actively involved with the projects on a daily basis.



*Jumpstart is a professional organisation who simplifies a complex area through technical expertise and who delivers real benefits in cash refunds from HMRC.*

**David Simson**  
Finance Director, Lees Foods PLC





*I have found the major benefit of working with Jumpstart to be that claims have been identified that I would not have considered due to the nature of the client's business. Working efficiently and maximising a small amount of the client's time is key and Jumpstart does both.*

**Roger Bloomer**  
Managing Director,  
Roger C Bloomer Accountants



## Make sure the numbers reflect the R&D

Nothing gets HMRC's attention quicker than big numbers, and when that number represents hours worked per week or the consumable costs of a small or medium sized project, it is almost guaranteed to raise eyebrows – and questions. Of course what counts as a reasonable cost for one business may be significantly more – or less – acceptable for another. Consider if the costs accounted for are normal for that particular sector, and if the technical report clearly supports the numbers. This will ensure that the claim process runs smoothly, and that the taxman's eyebrows remain stationary!

## Keep it simple

It is vital that the technical report is clear and intelligible – not full of industry-specific jargon, which will almost certainly raise questions at HMRC, if only out of a need to decipher what it is the company in question actually does! The report needs to explain the R&D in simple layman's terms, whilst still detailing the technology of the projects. In order to do this it is essential to have a technical understanding of the work involved. Which is why you should always talk to someone within the company's technical team, with a working knowledge of the complex procedures taking place. They will be much better at explaining them than someone from the finance department who has no experience of the company's projects.

## Quick check list

- \* Have a thorough understanding of HMRC's guidelines.
- \* Never claim for work that is ineligible.
- \* Tie the claim back to guideline specifics.
- \* Use 'user-friendly' language in the application.
- \* Make sure the technical aspects are clear and detailed.

## About Jumpstart

Jumpstart are the UK's leading R&D tax credit specialists providing a complete service in claiming R&D tax relief. Whether working directly with clients, or in partnership with Accountants, Trade Associations or other professional organisations, we ensure that only optimised, accurate and compliant claims go before HMRC. Over the last 10 years we have evolved a blend of tax expertise, academic qualifications and industry experience that ensures our clients receive every last penny they're entitled to.

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