

Best Practice for...

Understanding HMRC's interpretation of the legislation

A successful R&D tax relief claim requires not only a knowledge of the technical aspects of a company's industry, but also an understanding of the subtleties of HMRC's guidelines; these are regularly refined, and keeping abreast of HMRC's current interpretation is one of the best ways of ensuring that any claims - current or future - are successful.

So what are the areas you should pay particular attention to? Our best practice guide breaks down some of the main points and offers some relevant examples and practical tips for clearing the most troublesome hurdles.

Technological Uncertainties vs Technical Unknowns

In the eyes of HMRC, the difference between a technological uncertainty and a technological unknown can be the difference between an eligible and ineligible claim. R&D only begins when technological uncertainties arise; technological unknowns on their own are not eligible R&D. So when exactly does an 'unknown' become an 'uncertainty'? The difference can be illustrated by the following example. A company aims to develop a more efficient kettle. It buys three kettles made by competitors and tests each to qualify the performance.

Although the performance of each kettle is unknown it is possible to carry out the tests with conventional methods. This data may provide engineers with a clear idea on how to develop a more efficient kettle. In this case the unknown has been resolved (i.e. the performance of the competitors' kettles) and, as established methods were used, this is not R&D. However, if, once the unknowns have been resolved, it is not clear how the engineers will develop a more efficient kettle, this becomes a technical uncertainty and R&D begins!



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 do both.

Roger Bloomer
Chartered Accountants





Working in partnership with Jumpstart makes the accountant the hero, as through Jumpstart's expertise the claim that can be submitted for clients can be significantly boosted and this is enormously important in a climate where every penny counts in a business.

Douglas Aitken
Director, Peak Performance



Trial and Error

There is a fine line between eligible and ineligible R&D and nowhere is this more apparent than in the use of trial and error. Trial and error is essentially experimentation using routine methods; it is what these methods are used to resolve that determines the difference between eligible and ineligible R&D. For example, if a company is using trial and error to find the best glue for its purpose, this would not be R&D; the company knows that with this trial it will eventually come to determine which glue is the best. However, if trial and error is used in such a manner as to generate new knowledge, for example if a company uses trial and error to determine how different conditions affect cell tissue cultures, there is no way to know if the effect of the different conditions will ever be resolved – this is unquestionably R&D.

Process Improvement

Process improvement is an area that has recently come under much scrutiny from HMRC, and as a result companies that have previously completed a successful R&D tax relief claim may find themselves struggling with future claims. Whilst advancements in a company's processes can still be considered as eligible R&D, they must now be leading to a strong advance in science and technology, and not simply increasing profits. For instance, if a bakery installs new machines to improve production processes but is forced to carry out major adaptations to resolve technological uncertainties before this improvement can be seen, then this is eligible R&D. However, if process improvement is carried out using standard methods with a view to increasing production rates – which essentially leads only to commercial gain – then it is not R&D.

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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