



Cash refunds for R&D expenditure

Food and drink

Overview

To help foster Research and Development (R&D) growth in Ireland, the Irish Government has continued to enhance the R&D tax credit incentive by offering cash refunds for R&D work performed allowing companies to reduce their net R&D costs year-on-year and increase their cashflow.

This has also helped global multinational companies compete for further R&D investment as well as help indigenous companies reinvest cash back into their business to foster growth.

The definition of R&D is very broad, please see below for particular examples in the food and drink sector.

To be performing R&D as defined by the legislation (section 766 of the Taxes Consolidation Act 1997) means satisfying certain conditions.

Qualifying activities must be:

- ▶ Systematic, investigative or experimental in nature
- ▶ Conducted in a Revenue approved field of science or technology
- ▶ Involve basic research, applied research and/or experimental development
- ▶ Seek to achieve scientific or technological advancement
- ▶ Involve the resolution of scientific or technological uncertainty

What is R&D?

Examples of potentially eligible R&D activity overlooked in your sector:

- ▶ Creating and developing **new recipes and formulations** to address emerging consumer preferences (such as reduced sodium, natural ingredients, sugar substitutes) while maintaining acceptable flavour profiles, product presentation and shelf-life.
- ▶ Improving **manufacturing technologies, processes, and procedures** to increase yield, reduce waste and by products, improve safety, or comply with regulatory requirements or environmental legislation that is technically challenging and not straightforward to meet or achieve in practice.
- ▶ Developing **new packaging** and packaging systems or redesigning existing packaging to reduce waste or improve shelf-life.
- ▶ The development and implementation of unique systems used in the **tracking of food products and ingredients** throughout the supply chain.
- ▶ Developing **fully-cooked equivalents to par-cooked foods** while still maintaining acceptable flavour profiles, product presentation and shelf-life.
- ▶ Waste or wastewater treatment technology development, or projects to decrease water consumption, or improve heating/cooling processes during the manufacturing process.
- ▶ Manufacturing **experimental batches and pilot runs** of new recipes and formulations for testing.
- ▶ And many more...

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It's not just about people in white coats working in labs; eligible R&D can include producing new, or improving existing, materials, products, devices, processes, systems or services.

How does the R&D regime work?

Are you eligible for R&D tax credits?

Companies have 12 months from the end of the accounting period in which the R&D expenditure was incurred to submit their R&D claim to Irish Revenue.

Companies need to be aware that Irish Revenue has the right to audit claims for four years after the return has been submitted. Not surprisingly, as the level of claims for cash refunds has begun to escalate, so too has the level of Irish Revenue scrutiny, both in the form of formal audit notifications and requests for additional evidence to validate the R&D claims.

If adjustments arise during the course of an audit (such as overstated claims or insufficient supporting evidence), there may be a requirement to re-pay part or all of your credit previously claimed. In addition to this, in some cases Irish Revenue can seek interest and penalties.



How is it calculated?

The R&D regime provides for a tax credit/cash refund worth 25% of your R&D expenditure.

For small and micro sized companies, this is to increase to 30% of your R&D expenditure.*

This coupled with the availability of grant support can help companies significantly reduce their cost of doing R&D in Ireland, as illustrated below.

A qualifying project in receipt of 20% grant funding:

R&D spend of		100
Grant aid	(20)	
Net of grant aid		80
Tax deduction @ 12.5%	(10)	
R&D credit @ 25%	(20)	(30)
Net cost		50

* The change for small and micro companies is subject to enactment by the Minister of Finance.

How does the R&D regime work?

How can EY assist you making a claim?

Our R&D team has a proven track record of offering a uniquely integrated service to clients by combining the skills of engineers, scientists and qualified tax advisors.

- ▶ We are a dedicated and highly specialised team focusing on assisting clients maximise their R&D tax claims.
- ▶ A multi-disciplinary team made up of engineers, scientists, industry specialists and tax professionals.
- ▶ We secured the first Irish Revenue pre-approval for a client in the software sector, which encompassed a technical review by an industry expert engaged by Irish Revenue.
- ▶ Our tailored approach can include delivering feasibility studies and R&D workshops, providing full Revenue audit support, calculating R&D expenditure and drafting detailed technical reports, among other services.

Offer free feasibility study	Provide full Revenue audit support	Conduct mock R&D Revenue Audits	Calculate R&D expenditure
Develop optimal claims methodology	Conduct technical interviews	Prepare technical project reports	Deliver in-house training sessions

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Our team of engineers, scientists and industry experts can speak your language and draft your technical reports, allowing your R&D teams to focus on what they do best.



Ian Collins

Partner and Head of Innovation Incentives

How can EY assist you making a claim?

Our credentials

We have had a 100% success rate in Irish Revenue technical audits for clients who filed R&D tax credit claims.

We have a local specialised team that form part of a global network of industry specialists dedicated to R&D claims.

We liaise regularly with the Irish Revenue, Department of Finance, and Department of Jobs, Enterprise & Innovation on R&D tax credit matters including:

- ▶ Audit approach
- ▶ Application of Revenue guidelines

We have lobbied, and continue to lobby, for changes in law to improve the R&D tax credit regime such as:

- ▶ Increasing the rate for sub-contracting
- ▶ Reducing the administrative burden for small and medium sized enterprises making a R&D tax credit claim
- ▶ Seeking cash refunds for companies incurring tax losses

Qualifying spend: €6.3m
R&D Tax Credit: €1.57m

Client:
Irish Global leader in food ingredients, flavours and cheese.

Project:
Assist with writing and documenting R&D projects

FY14 to date

Qualifying spend: €14.1m
R&D Tax Credit: €3.5m

Client:
Global group focused on nutrition in both dairy and non-dairy nutritional ingredients.

Project:
Assist with writing and quantifying its R&D tax credit claims

FY16 to date

Qualifying spend: €4.9m
R&D Tax Credit: €1.2m

Client:
Leading supplier of cooked and fermented meats and ingredients to the foodservice and manufacturing sectors.

Project:
Successfully assisted company with defending R&D claim on a Revenue audit

FY15 to date

Qualifying spend: €7.2m
R&D Tax Credit: €1.8m

Client:
International leader in the development of engineering and technology for dairy and farming industry.

Project: Assist the company with writing and quantifying its R&D tax credit claims. Also successfully assisted the company with Revenue Aspect queries

FY14 to date

Find out more



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140747.indd 03/22. Produced by Creative (Ireland)

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