

R&D tax credit claims in respect of R&D supported by grants

Part 29 Chapter 2

This document should be read in conjunction with sections 766, 766A and 766B TCA 1997

Document created: February 2017

Introduction

This manual sets out the interaction of claims for the R&D tax credit (refer to [Revenue's guidelines on the Research and development tax credit](#) for more details) and grants provided by Enterprise Ireland for the carrying on of R&D.

1. Defining R&D for the R&D tax credit

Research and development activities, for the purposes of the R&D tax credit is defined in s.766A as systematic, investigative or experimental activities in a field of science or technology, being basic research, applied research or experimental development. A key provision is that activities will not be research and development activities for the purposes of the relief unless they:

- seek to achieve scientific or technological advancement and
- involve the resolution of scientific or technological uncertainty.

2. Examination of an R&D tax credit claim

The process of examining a claim may be considered by reference to two criteria:

- **The Science Test:** that the activities under review are consistent with the statutory definition of research and development activities.
- **The Accounting Test:** that the expenditure claimed as being laid out on qualifying research and development activities is correctly so claimed.

3. Interaction with IDA / Enterprise Ireland's R&D grants

Enterprise Ireland's and the IDA's R&D grants are in respect of research and experimental development projects within the meaning of the OECD's Frascati Manual, which states:

"Research and experimental development comprise creative and systematic work undertaken in order to increase the stock of knowledge – including knowledge of humankind, culture and society – and to devise new applications of available knowledge".

While there are differences to the definition of R&D for the grants and the R&D tax credit, it is considered that the two definitions are relatively close. Therefore, with a view to minimising the burden of engaging experts to verify the science test in R&D tax credit claims, it has been decided that Revenue would not, as a rule, seek to challenge the science test in relation to a project where:

- an Enterprise Ireland or IDA R&D grant has been approved in respect of the R&D project;
- the project is undertaken in a prescribed field of science or technology, as defined in regulations (S.I. No. 434 of 2004);
- the company is a micro or small enterprise within the meaning of the Annex to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises¹; and
- the total R&D tax credit claimed by the company for an accounting period (of not less than 12 months) is €50,000 or less.

4. Limits to Practice

This treatment applies only to R&D grants administered by Enterprise Ireland and not any other grant, whether for R&D or otherwise. Companies may claim a tax credit, up to and including the amount indicated, in respect of activities arising in a number of projects. Not all of those activities or projects will be grant aided. Therefore the receipt of a grant would not be an indication that the entire claim qualifies for the credit.

Moreover, in respect of grant-aided and other projects, all the claimed cost will not necessarily qualify. Where an R&D tax credit is claimed for an accounting period, all claims examined in the course of a Revenue audit must be subjected to the accounting test to ensure that costs correctly attributable to other activities are not included as R&D costs and that any allocations of cost are reasonably and correctly so allocated.

¹ OJ No. L124, 20.5.2003, P.36