
CONTENTS

INTRODUCTION	xiii
ACKNOWLEDGEMENTS.....	xv
CHAPTER 1 R&D TAX CREDIT	1
1.0 Overview	1
1.1 Background to the R&D tax credit.....	2
1.2 Prior to 2004	3
1.3 Evolution of the R&D tax credit through the changing international tax landscape.....	4
1.4 A multi-disciplinary approach required to avail of this relief?.....	5
1.5 Success of the R&D tax credit regime	5
1.6 What are “R&D activities” for tax purposes?	8
1.7 R&D tax credit – key features.....	8
CHAPTER 2 HOW THE R&D TAX CREDIT REGIME WORKS	11
2.0 Overview	11
2.1 Entitlement to claim.....	12
2.2 Calculating the R&D tax credit due	12
2.3 Claiming the tax credit	18
2.4 How can the R&D tax credit be used? What is the real benefit?.....	22
2.5 Valid claim.....	36
2.6 Takeaway points.....	36
CHAPTER 3 R&D ACTIVITIES	39
3.0 Overview	39
3.1 How to determine if an activity is qualifying R&D?	40
3.2 Systematic investigative and experimental activities	41
3.3 Field of science and technology	42
3.4 Types of R&D.....	43
3.5 Scientific or technological advancement	44
3.6 Scientific or technological uncertainty	48
3.7 Determining when an R&D activity begins and ends.....	49
3.8 R&D activities – items to consider.....	50

3.9	What sort of documentation/evidence needs to be maintained?.....	59
3.10	Takeaway points.....	62
CHAPTER 4 ELIGIBLE EXPENDITURE		65
4.0	Introduction	65
4.1	Overview of eligible revenue expenditure	65
4.2	Revenue expenditure.....	66
4.3	Evolution of Revenue practice in relation to overheads.....	72
4.4	Ineligible expenditure.....	75
4.5	Capitalised expenditure	76
4.6	Plant and machinery.....	77
4.7	Outsourced R&D activities	81
4.8	R&D grant assistance.....	83
4.9	Pre-trading expenditure	84
4.10	Requirements to be met for the “Accounting Test”	84
4.11	Takeaway points.....	86
CHAPTER 5 EXPENDITURE ON BUILDINGS & STRUCTURES....		87
5.1	Introduction	87
5.2	Summary of the building R&D tax credit.....	87
5.3	Key definitions	88
5.4	How to claim the R&D building credit	89
5.5	Claim for expenditure incurred over more than one accounting period	90
5.6	Buildings apportionment.....	91
5.7	Building or structure sold or ceases to be used for R&D activity	92
5.8	Takeaway points.....	93
CHAPTER 6 REVENUE INTERVENTIONS OF R&D TAX CREDIT CLAIMS AND THE TAX APPEAL COMMISSION		95
6.0	Introduction	95
6.1	Changes to Revenue’s interventions	96
6.2	Is an R&D audit different to other tax audits?.....	97
6.3	Revenue’s appointed expert.....	98
6.4	Interaction with RD&I grants.....	100
6.5	Revenue’s R&D credit claim, suggested file layout.....	101

6.6	Notable changes in Revenue practice	104
6.7	Types of Revenue interventions	106
6.8	Notification of Revenue review or audit	107
6.9	Audit timelines and statute of limitations.....	109
6.10	Appeal process	112
6.11	Practical difficulties with R&D audits.....	115
6.12	Settlements with Revenue, interest, penalties and publication.....	116
6.13	Takeaway points.....	118
 CHAPTER 7 AVOIDING COMMON MISTAKES.....		121
7.0	Overview	121
7.1	The implications of getting it wrong.....	121
7.2	Common mistakes	121
7.3	Takeaway points.....	126
 CHAPTER 8 SPECIFIED INTANGIBLE ASSET RELIEF AND ALLOWANCE FOR EXPENDITURE INCURRED ON SCIENTIFIC RESEARCH.....		129
8.1	Intangible asset relief.....	129
8.2	Relief for expenditure on scientific research	137
8.3	Takeaway points.....	139
 CHAPTER 9 KNOWLEDGE DEVELOPMENT BOX (“KDB”).....		141
9.0	Overview	141
9.1	Changes to KDB from Finance Act 2022.....	142
9.2	Calculating KDB relief.....	150
9.3	Making a claim	159
9.4	Prior year expenditure incurred on qualifying assets	162
9.5	Audits	163
9.6	Anti-avoidance	164
9.7	Documentation.....	164
9.8	KDB and the R&D tax credit	165
9.9	Takeaway points.....	167
 CHAPTER 10 INNOVATION INCENTIVES - GRANTS		169
10.1	Introduction	169
10.2	Grants funding agencies in Ireland and the EU	169

Contents

10.3	IDA RD&I grants for FDI	173
10.4	RD&I for indigenous companies	176
10.5	Capital grants for FDI.....	179
10.6	Environmental grants	181
10.7	Employment grants for FDI.....	182
10.8	Training grants	183
10.9	DTIF and other grants (EI).....	185
10.10	Takeaway points.....	186
 CHAPTER 11 DIGITAL GAMES TAX CREDIT		189
11.1	Overview	189
11.2	Who can claim the DGTC	190
11.3	Claiming the DGTC/interim DGTC	191
11.4	Qualifying expenditure and eligible expenditure.....	193
11.5	What is a digital game & what digital games qualify	195
11.6	Cultural test	196
11.7	Interim and final cultural certificates.....	197
11.8	Documentation.....	199
11.9	Anti-avoidance provisions / circumstances in which a company may not make a DGTC or interim DGTC claim	201
11.10	Updates to the DGTC introduced by Finance (No. 2) Act 2023	202
11.11	Takeaway points.....	203
 Appendix 1 Research and Development (R&D) Corporation Tax Credit Guidelines - Document last updated July 2024.....		205
 Appendix 2 Appointment of Expert to Assist in R&D Audits – August 2024		275
 Appendix 3 Revenue Audit Letter.....		301
 Appendix 4 Revenue Confidentiality Agreement		303
 Appendix 5 Cultural Test for Digital Games Tax Credits		305

**Appendix 6 Information Required to Support
a Digital Games Tax Credit (Extract
from Regulations S.I. No. 593 of 2022)321**

Index 327