

# R&D CLAIMS

## YOUR GUIDE TO ADVANCE NOTIFICATION

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# WELCOME



In the past few months, the landscape of R&D tax relief claims in the UK has undergone significant changes. Several reforms to the claim submission process were introduced by HMRC to streamline the process of claiming, in an attempt to tackle abuse and improve compliance. Recent adjustments to the submission process for R&D tax relief claims in the UK have caught many companies off guard. And the consequences are significant, with nearly half of all recent claims submitted being declared invalid by HMRC.

**Jon Miles, tax director**



## UNDERSTANDING PRE-NOTIFICATION, AIF, AND THE IMPACT ON YOUR BUSINESS

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### **WHAT ARE THE RULES?**

- Companies must now notify HMRC of their intentions to make an R&D claim prior to making the submission. The aim of this new rule is to prevent last-minute 'speculative' claims made after the relevant accounting year. This means any company planning to make an R&D claim for the first time, or that has not made an R&D claim in any of its previous three accounting periods, will need to submit an online pre-notification. This must be done within six months following the end of the relevant accounting period (instead of the previous two-year window).
- As of August 8, 2023, all R&D relief claimants are required to complete an Additional Information Form (AIF) alongside their claims. The AIF includes details of qualifying expenditure and contact details for the main R&D contact at the company and any agent involved in the claim. Failure to include this form renders the claim invalid.

### **WHAT ARE THE RISKS IF YOU DON'T COMPLY?**

It's now vitally important that your submissions are fully compliant and eligible at the first review stage, or you could lose your right to submit a claim.

HMRC have confirmed that if the 'Advance Notification Form' is not completed, this renders the R&D claim invalid and, if shown in the corporate tax return, it will be removed by HMRC as an "error".

This also applies to the AIF, which must be submitted before your company's Corporation Tax Return. Failure to do this will result in your claim for R&D tax relief being removed from your company tax return.

**THIS AMENDMENT CANNOT BE REJECTED, AND A NEW CLAIM RELATING TO THE SAME EXPENDITURE AS THE ORIGINAL CLAIM, CANNOT BE MADE.**

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## PRE-NOTIFICATION CHECKLIST

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To ensure your company doesn't fall foul of the new pre-notification requirement for R&D tax relief claims, the claim notification form should contain the following:

- The company's unique taxpayer identification (UTR)
- The main internal R&D contact person in the company overseeing the R&D claim.
- The contact details of any agent assisting with the R&D claim.
- The start and end dates of the accounting period for which you're claiming tax relief or expenditure credit.
- The accounting period's beginning and end dates.
- A summary of the key planned projects, demonstrating how these activities align with the standard definition of R&D.



## AIF CHECKLIST

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- Your company information:**
    - Unique Taxpayer Reference (UTR), this must match the one shown in your Company Tax Return
    - employer PAYE reference number
    - VAT registration number
    - business type, for example your current SIC (Standard Industrial Classification) code
  
  - Contact details:**
    - the main senior internal R&D contact in the company who is responsible for the R&D claim, for example a company director
    - any agent involved in the R&D claim
  
  - Accounting period start and end date**
    - The accounting period start and end date for which you're claiming the tax relief, this must match the one shown in your Company Tax Return.
  
  - Qualifying expenditure details**

**If you meet the conditions, you can claim for either or both:**

    - **tax relief as a small and medium-sized enterprise (SME)**
    - **expenditure credit as a large company or SME**

If you're claiming for SME tax relief, you can claim for:

    - cloud computing costs, including storage, for accounting periods beginning on or after 1 April 2023
    - consumable items, for example materials, water, fuel and power
    - data licence costs, for accounting periods beginning on or after 1 April 2023
    - externally provided workers
    - payments to participants of a clinical trial
    - software
    - staff
    - subcontractor costs

If you're claiming for expenditure credit, you may be able to claim for:

    - cloud computing costs, including storage, for accounting periods beginning on or after 1 April 2023
    - consumable items, for example materials, water, fuel and power
    - contributions to independent R&D costs
    - data licence costs, for accounting periods beginning on or after 1 April 2023
    - externally provided workers
    - payments to participants of a clinical trial
    - software
    - staff
    - some subcontractor costs
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## AIF CHECKLIST (CONT)

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### **Qualifying indirect activities**

These are activities which form part of a project but do not directly contribute to the resolution of the scientific or technological uncertainty.

Only include the qualifying expenditure detailed in the section 'Qualifying expenditure details', if it was incurred on the following qualifying indirect.

- scientific and technical information services, insofar as they are conducted for the purpose of R&D support, such as the preparation of the original report of R&D findings
- indirect supporting activities such as maintenance, security, administration and clerical activities, finance and personnel activities, insofar as undertaken for R&D
- ancillary activities essential to the undertaking of R&D, for example, taking on and paying staff, leasing laboratories and maintaining R&D equipment including computers used for R&D purposes
- training required to directly support an R&D project
- research by students and researchers carried out at universities
- research (including related data collection) to devise new scientific or technological testing, a survey or sampling methods, where this research is not R&D in its own right
- feasibility studies to inform the strategic direction of a specific R&D activity

### **Project details**

- The number of all the projects that you're claiming for in the accounting period and their details.

If you're claiming:

- for 1 to 3 projects, you need to describe all the projects you're claiming for that cover 100% of the qualifying expenditure
- for 4 to 10 projects, you need to describe those projects that account for at least 50% of the total expenditure, with a minimum of 3 projects described
- for 11 to 100 (or more) projects, you need to describe those projects that account for at least 50% of the total expenditure, with a minimum of 3 projects described – if the qualifying expenditure is split across multiple smaller projects, describe the 10 with the most qualifying expenditure



## HOW WE CAN HELP

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Navigating the evolving rules and regulations of R&D tax relief claims can be complex, but you don't have to go it alone.

At Richardson Swift our advisers work with specialist partners to ensure we can help your company manage the entire process, from identifying eligible projects to pre-notification and claim submission.

Our expert team can help you maximise your tax relief benefits while ensuring full compliance with HMRC requirements.

If you have any questions relating to R&D tax relief or wish to discuss the implications of recent changes to the R&D tax relief scheme on your own claims, please get in touch with the tax team.

## CONTACT US

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[hello@richardsonswift.co.uk](mailto:hello@richardsonswift.co.uk)



[www.richardsonswift.co.uk](http://www.richardsonswift.co.uk)



01225 325580

11, Laura Place, Bath,  
BA2 4BL, UK



11, Laura Place,

Bath,

BA2 4BL

T 01225 325580

E [info@richardsonswift.co.uk](mailto:info@richardsonswift.co.uk)

**[www.richardsonswift.co.uk](http://www.richardsonswift.co.uk)**

We're here to help!