ABGi accelerating innovation | UK

Here to help you...

Your journey with ABGI-UK has started and your dedicated Innovation Funding Consultants, supported by the rest of the ABGI team will be your guide in helping to secure R&D tax relief.

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...every step of the way.

The key to a successful, maximised claim is a thorough and robust description of the work performed and how it relates to an industry advance in science or technology.

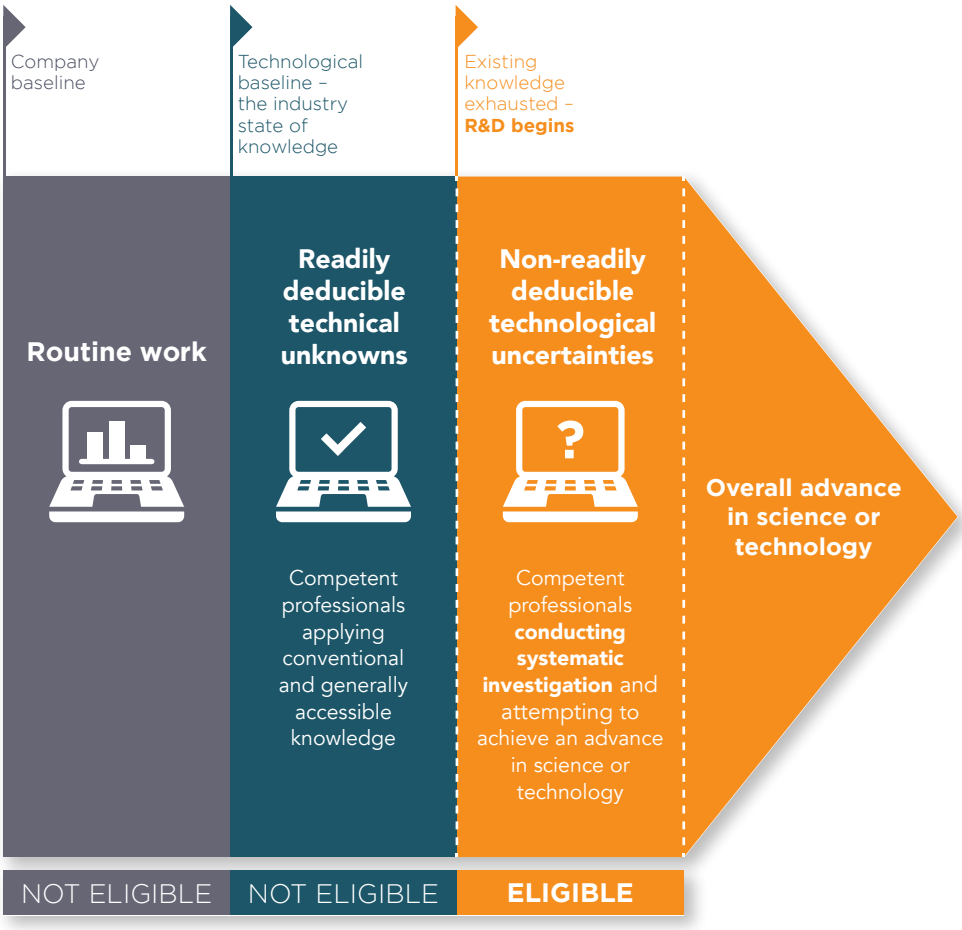
For us to achieve this, we first need the facts, which is the primary purpose of your technical meeting. This is your opportunity for an in-depth discussion about your R&D projects with an ABGI Innovation Funding Consultant, who will guide you through your claim from start to finish.

Following this meeting, ABGI-UK will work with you to prepare two documents to support your R&D tax relief claim:

- **A detailed technical report, justifying your eligible projects to HMRC; and**
- **A cost capture spreadsheet, presenting all your costs associated with your eligible projects.**

Step one: Eligible Activity

Let's start by looking at HMRC's key criteria that a project must fulfil in order to be eligible for R&D tax relief.



What key criteria do HMRC look for in a project?

Context and technological objectives

The scientific or technological drivers for the project and what you were trying to achieve.

Technological baseline

The solutions available in the industry at the outset of the project and why they were unsuitable.

Technological advance

The scientific or technological advance made in relation to your industry.

Technological uncertainties

The technological barriers that you faced and what problems needed to be solved.

Attempted resolutions

How you tried to overcome these technological barriers and your thought process for this work.

Competent professionals

Evidence that you have used individuals who are experienced in, and knowledgeable about, the relevant scientific and technological principles involved, and are aware of the current knowledge base.

What's not eligible under the scheme and what we need to watch out for!

Technical unknowns

When a problem or barrier can be overcome by using standard procedures or 'off-the-shelf' solutions. This can also include minor improvements, optimisations and fine-tuning.

Readily deducible solutions

Overcoming technological barriers by using techniques, procedures and data that are generally accessible in the public domain to competent professionals.

Research is a process, not an end result.

An advance can be achieved through two different processes: a straightforward, readily deducible process, or a process that involves establishing technological objectives, conducting experiments to test hypotheses and assessing quantifiable outcomes. It is the latter of these two processes that is eligible.



For each project, we need to establish not just the industry baseline and technological advance, but also the **systematic investigation** you undertook to achieve the result, including all the unforeseen problems.

Unexpected results and even failures are strong indicators of eligible projects! Asking yourself the following questions will help you to identify eligible projects:

"Why didn't my first attempt work?"

"What did I do to resolve the problem?"

"What did I try next?"

"Did I learn something new that applies to the industry as a whole?"

Step two: Determining the costs associated with R&D projects

As we all know, HMRC are numbers people. Once ABGI-UK has identified and documented your eligible projects, we'll help you to quantify the costs associated with each project.

This is not as daunting as you might think! We provide all the necessary tools to help you collate your costs and are on hand to offer advice over the phone or by email. Our easy-to-follow spreadsheet also provides lots of help along the way. We can arrange cost capture workshops on site or remotely with your staff – we strive to make this as easy as possible for you!

Staff – Labour tends to make up most of the eligible costs for any project. For clarity, we split this into direct and indirect staff. Your direct staff are those involved in overcoming technological uncertainties on a day-to-day basis. Indirect staff provide supporting activities for the projects, such as HR and Finance. We'll ask you for payroll information for all staff employed during the company's financial year at the start of the claim process.

HMRC doesn't necessarily expect every company to have advanced time capture systems in place, but they may ask you to provide evidence to justify time allocations on projects at some point.

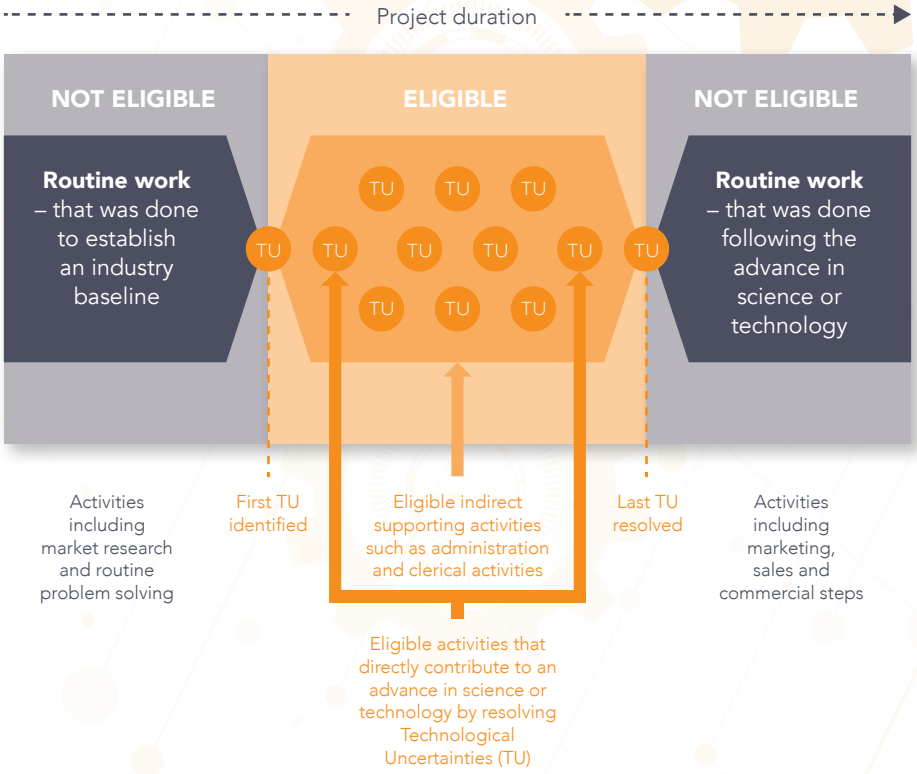
Externally Provided Workers (EPWs) – Do you contract a staff provider to supply external workers? If so, you may be able to include a proportion of the cost if they're involved in the R&D projects. The same applies if you're recharged by a connected company
for staff.

Subcontracted activities – If you are an SME and subcontract any of the activities that are required to fulfil your R&D project and have the evidence to support it, relevant costs can be included in the claim.

Raw materials – Revenue spend on consumables used or transformed in the R&D projects can be included. Consumables also include short-lived raw materials, such as water, fuel and power.

Computer software – Revenue spend on computer software is another cost that can be included, provided the software is employed directly in the R&D work.

Caution! – Not all costs associated with your R&D projects can be claimed.



What else can impact your claim?

- **Grants** – the type of grant you receive may affect whether you claim as an SME, a Large Company or indeed both. Our expertise will be invaluable in defining your R&D projects to minimise any potential impact.

- **Subcontracted R&D** – eligible activities depend on the contractual arrangement, and which scheme you're claiming under.

- **Company structure** – if you're part of a group, you must include staff, revenue and assets for all members of the group when assessing whether to claim as an SME or Large Company.

Your Innovation Funding Consultant will guide and support you every step of the way. As the R&D tax relief experts, we'll help you understand the implications of every conceivable scenario.

Your R&D tax relief claim couldn't be in safer hands!

Steps to a Successful Claim

7 **We guarantee that we will actively defend your claim in the unlikely event of an enquiry**

6 We submit direct to HMRC — Tick when done ☐

5 You review your Cost Capture Sheet — Tick when done ☐

4 We pre-populate your Cost Capture Sheet — Tick when done ☐

3 You review your Technical Report — Tick when done ☐

2 We write the Technical Report — Tick when done ☐

1 We consult with you — Tick when done ☐

START



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