

HMRC sets up new specialist R&D tax credit units

HMRC have published details of the new units set up to handle R&D tax relief claims, following plans announced at the end of last year.

The seven specialist units, which will be operational from 1 November 2006, will deal with the R&D claims for all companies not currently dealt with by HMRC's Large Business Service, and will therefore cover all claims by SME companies together with a number of those from companies treated as large for R&D tax relief purposes.

The setting up of the specialist units follows a lengthy consultation process having an overall objective of improving the delivery of the R&D tax credit. By concentrating R&D claims in a small number of specialist centres, HMRC hopes to achieve greater consistency and certainty for claimant companies.

The units will be located in Cambridge, Croydon, Leicester, Maidstone, Manchester, Southampton and Cardiff (covering Wales, Scotland and Northern Ireland) and part of their remit will be promoting awareness of the R&D tax credit amongst local businesses. Staff moving to the specialist units have also recently undergone training to help them better understand R&D issues in software, in response to concerns raised about the approach by some tax inspectors to claims in this area.

From 1 November, companies outside the Large Business Service, together with a few other exceptions, will submit corporation tax returns containing their R&D claims to the R&D unit nearest to the location of the company's main R&D activity, rather than to the tax office based on where their registered office is.

Part of the aim to improve customer service through a more local presence, this may also lead to HMRC conducting enquiries into R&D claims through meetings rather than correspondence. SME R&D companies with Enterprise Management Incentive share option schemes or with shareholders making claims under the Enterprise Investment Scheme have in the past been dealt with at one of HMRC's Small Company Enterprise Centres located in Cardiff, Maidstone and Dundee. Such companies will not transfer to their local R&D unit but will instead continue to be dealt with by an SCEC at either Cardiff or Maidstone.

Full details are available on the HMRC website at:
<http://www.hmrc.gov.uk/bulletins/tb85.htm#2>



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If you would like to discuss any aspect of R&D tax relief, please contact Pronovotech on 01223 235500 or by e-mail to richard.lewis@pronovotech.com