

INTRODUCTION

AIRTO, the Association of Innovation, Research & Technology Organisations, represents the UK's extensive Innovation, Research and Technology (IRT) sector, which employs 57,000 highly skilled people, has a combined annual turnover of [£6.9Bn and contributes £34Bn to UK GDP](#). Organisations in this critical sector work with industry, government and academia to promote and support the introduction of innovation to the full range of industrial sectors, and to provide technical solutions to new challenges and crises. The IRT sector is a key partner for industry in delivering the support needed for innovation driven economic growth.

AIRTO, on behalf of its members, has prepared this written response to the call for evidence from HMRC's consultation: [Research and Development tax relief advance clearances](#)

RESPONSES TO RELEVANT QUESTIONS

Section 1: Current advance assurances

Were you aware of the advance assurance scheme before this consultation?

No.

Is the current focus in advance assurances on treatment of a whole claim right – or would customers prefer to focus on a particular issue or issues in their claim?

Focus on the whole claim.

Focus of advance assurance should be on the whole claim from new claimants, or those claiming in new areas of technology or different stages of technology development.

Which issues in R&D claims are of the most concern?

The increasing level of scrutiny for claims from research, development and innovation organisations who have previously used R&D Tax Relief successfully with no issues.

Subjectivity in assessing claims. HMRC staff not being familiar with specific industrial sectors and R&D requirement.

Inconsistent interpretation and application of changing rules.

Do you have any views on the current criteria for eligibility for advance assurances?

Too limited in terms of size of claim and size of applicant. Criteria could not be limiting but focus should be on claims involving new claimants and new areas of activity.

Section 2: Voluntary vs. mandatory assurances and eligibility

Can you foresee circumstances in which paid-for voluntary assurances might be attractive?

No. An assurance scheme will provide significant savings for government in the more effective processing of valid claims, and the reduction in erroneous and fraudulent claims and reliefs. It is in the government's best interest to provide a scheme that issued widely for appropriate applicants. A paid-for scheme will discourage use by those it will best serve.

Do you agree that a voluntary service could be focused on growing high-potential companies as well as sectors set out in the government's Industrial Strategy?

No. R&D Tax Reliefs are appropriate across all industrial sectors and all sizes of organisations. There is no valid reason to artificially focus an assurance scheme on particular types of organisations or specific industrial sectors. A wide scope for the assurance scheme will give maximum benefit.

If not, at which companies should a voluntary service be focused?

A voluntary service should not have a focus per se. However, new applicants and applicants operating in new areas of R&D should be encouraged to use the service.

Do you agree there is a minimum expenditure below which significant R&D does not take place?

No. R&D Tax Relief is valid for the smallest organisations up to the very largest. A minimum expenditure would exclude many small companies and particularly in the technology development stage, where R&D Tax Relief may be crucial to financial sustainability before the R&D is commercialised and commercial income is realised. These are the companies who most need help to validate and process R&D Tax Relief claims.

Do you agree that assurances should be mandatory for some?

No. Many companies will have the necessary expertise in their staff or their advisors to prepare and submit claims. Making assurance mandatory will create unnecessary work and bureaucracy.

How can HMRC best recognise the role of agents in designing a clearance service?

For many organisations, the role of agents (advisors, consultants, etc.) is crucial in preparing R&D Tax Relief claims. However, it is recognised that this is an unregulated area of activity and can be subject to inappropriate advice and abuse of the system. To encounter this, HMRC should specify the professional qualifications the agents need.

The use of a declaration with any claim should be considered by HMRC, with the applicant starting with whether an agent has been used in preparation of a claim, and if so, who they are.

Section 3: Options Under Consideration

Do you see value in pre-activity advance assurance?

Yes. For some organisations, and particularly SMES and pre-revenue start-ups, the scope of the R&D and its speed of development will depend on obtaining R&D Tax Relief. Early assurances of their eligibility for R&D Tax Relief will give organisations the confidence to proceed more quickly with their R&D activities.

If so, what issues might be raised with HMRC?

Status of the organisations and its financial situation.

Eligibility of its R&D activities.

Financial level of a potential claim.

What sort of information might companies be able to provide to HMRC at this stage?

Scope of R&D

TRL Level of R&D

Proof that it is valid R&D

Justifiable costs of R&D

Which of the options A to C do you think would be most useful?

A Pre-activity – somewhat useful

B Pre-claim - useful

C Post-claim, pre-payment – useful

Please give reasons

Organisations need certainty, delivered in a timely way. Anything that ensures this will be beneficial.

Option A (pre-activity) will be important for a limited number of organisations, but Option B (pre-claim) and Option C (post-claim, pre-payment) are much more widely applicable.

Please give any other suggestions you have for useful changes to R&D relief administration, particularly those that would address error and fraud

Tax officials involved in any aspects of R&D Tax Relief administration need to have an effective understanding of how R&D works, and the range of industrial sectors and their R&D needs. This includes the various stages of R&D and that R&D can be close to market as well as at a fundamental level. If their expertise is not adequate, they must have access to appropriate advice and guidance.

Specific to the RD&I sector, officials need a refined understanding of how these organisations operate and how they undertake R&D. This will reduce the level of scrutiny of valid claims. AIRTO is willing to work with HMRC to achieve this understanding.

For further information, please contact:

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