

Taxation: Making Innovation and Technological Advances More Cost Effective

Mary Nyhan
RSM Farrell Grant Sparks



The Irish Agriculture and Food Development Authority

Tax Credits

- 25% tax credit
- Within 12 months of the end of the accounting period in which incurred
- Scientific or technological advancement
- Irish trade
- R&D in Ireland and EEA
- Pre-trading R&D held until trading

Tax credits

- Base expenditure is 2003 or first €200,000 (budget 2013).
- Clawback if building is sold within 10 years
- Sub-contracted R&D does not qualify for credits
- The exception to this is where sub-contracting to universities is involved. In this case, relief is available if the payment to the university does not exceed 5% of the total expenditure.
- 10% of a company's R&D expenditure qualifies if incurred by unconnected parties.
- Subject to greater of 5%/10% or €100,000

Tax credits

- Systematic, investigative or experimental in nature
- Planned logical sequences to a recognised methodology
- Documentation retained: dated, progress and conclusions
- Trained personnel
- Development protocol
- Directed at new or improving existing materials, products, systems
- Information not in the public domain
- Seek to achieve scientific or technological advancement

Tax credits

- Not sufficient to use science and technology
- Must extend overall knowledge or capability in a field or science or technology
- Create a process, material, device, product or service which incorporates or represents an increase in knowledge or capability
- Overheads
- Resolution of uncertainty often marks end of R&D

Tax Credits

- Provision for refunds if not sufficient corporation tax
- Key Relief
- Key cash value

Transfer of R&D credits to employees

- Transfer of the credits to employees.
- More than 75% of duties in R&D activities
- Not a director or own greater than 5% of the company
- Min tax rate of 23%

Intellectual Property

- Costs written off over the shorter of the accounting period write-off or 15 years
- Promote smart economy

Share based remuneration

- Nuttall Report re share based remuneration
- Share clog
- Minority interest

EII scheme

- Extended to 2020
- VC funding?

Tax & Innovation

- 66% of business persons: recession has made us more innovative
- 1 in 4 do not claim their entitlement re R&D tax credits
- 101% increase in number of companies claiming the R&D credit from 2008 to 2010

Conclusion

Important that negative tax changes do not over-ride
the key tax benefits available for innovation