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Briefing:

How to make an optimised R&D Tax Credit claim

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About... **POCKETGAMER.biz**

From breaking industry stories and in-depth interviews with key executives to updates on industry events and detailed analysis of mobile games metrics, *PocketGamer.biz* is the first port of call for mobile game developers, publishers, operators, handset manufacturers, investors and service providers.

www.pocketgamer.biz

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How to make an optimised R&D Tax Credit claim

Barrie Dowsett, of R&D Tax Credit specialists Myriad Associates, has designed a five-step guide, which if followed should help deliver an optimised R&D Tax Credit claim.

However, we do not recommend going on the journey alone and believe it is highly advisable to talk to a specialist firm such as Myriad Associates. They will ensure that your claim is maximised, and at the same time minimise the amount of time you have to spend on tax credits.

Step 1 - The Brainstorming Session

Step 2 - The Technical Write-Up

Step 3 - The Costing Schedule

Step 4 - Submitting Your Claim

Step 5 - HMRC: Reviewing and Processing Your Claim



Invite your lead developers, finance and a representative from a tax specialist to a brainstorming session that focuses on the following:

- ❑ Identify and make a list of all eligible development projects that have been undertaken in the accounting period(s) for which you are claiming. For each project you will need to establish the start date and finish date (if it has finished!).
- ❑ Typically most new in-house software development projects would contain eligible activities, however the following list will provide you some ideas of the type of activities that could be claimed:



Work in software design, development, deployment, displaying, maintenance, testing and performance evaluation. For example, building and developing a game engine would contain eligible development activities.

Development activities involved in switching a product to a new technology or new hardware platform. This could also be extended to include the resolution of compatibility issues relating to operating games across multiple platforms.

Step 2

The Technical Write-Up

HMRC highly recommend that you include a technical briefing for your major projects when filing an R&D Tax Relief claim. We suggest that technical briefings are completed to cover approximately 60% of your development costs and therefore it makes sense to prepare a technical briefing for projects that are high on the development time front.

We recommend that the technical briefing should cover the following areas as a minimum:

- Project name, project start date and finish date (if finished in the accounting period)
- Outline of the project background/business initiative
- Technological objective of the project and knowledge base level of the Company (prior to commencing the project)
- List of problems or challenges that could not be solved using commonly available experiences and therefore required the advancement in underlying technology.

- Description of experimental and analytical work undertaken
- List of technical records that the Company has maintained
- List of personnel involved in the project
- It is important that the technical briefing focuses on highlighting the eligible activities that are within the acceptable parameters defined by the HMRC Tax Relief legislation. We strongly recommend that the technical briefing should be drafted by an R&D Tax Relief expert to ensure that the claim meets the qualification criteria.

Step 3

The Costing Schedule

- The R&D Tax Credit claim will need to be supported by a costing schedule that allocates the eligible costs to each development project. Once again the use of specialist R&D Tax Relief experts will ensure that this costing schedule is correctly prepared and that the value of your R&D Tax Credit claim is fully optimised.
- You can claim the following “revenue” expenditure which is actively and directly related to the eligible development projects:
 - Cost of employing staff (gross wages, pension and NI Ers)
 - Paying a staff provider (agency) for staff provided to the Company (known as externally provided workers under the tax legislation)
 - Software costs relating to the eligible development projects
 - Sub-contract costs (65% of invoiced value), although special rules apply for sub-contract labour costs.
 - Apportionment of power, water and fuel as well as certain consumable costs.



Step 4

Submitting Your Claim

- A full R&D Tax Relief claim will need to be prepared and this will encompass the technical briefings and costing schedules.
- You will need to update the Company Tax Return (CT600) and Tax Computations, something which can be completed by your R&D Tax Specialist or Accountants. If you are making a retrospective claim then the Company Tax Return (CT600) and Tax Computations will need to be amended and resubmitted together with the R&D Tax Relief Claim.
- The R&D Tax Relief claim, together with the Company Tax Return, Tax Computations and the Statutory Accounts will need to be sent to one of the 7 regional HMRC R&D Tax Units. Which one depends on your Company's postcode and details can be found on the HMRC website

www.hmrc.gov.uk/manuals/cirdmanual/CIRD80360.htm



Step 5

HMRC: Reviewing and Processing Your Claim

- The relevant HMRC R&D Tax Unit will process your R&D Tax Relief claim by reviewing your technical briefings, checking your costing schedule and Company Tax Return/Tax Computations. This review process is currently taking around 3-4 weeks to complete. If the Company is due a Corporation Tax refund or a Credit Payable (available for loss making SME's) then the payment is normally made within 1 to 2 weeks once the claim has been processed.
- If HMRC decide to make an enquiry into the R&D Tax Relief claim this is normally communicated within 30 days of receiving the claim, however HMRC have a general right to make enquiry into a Company Tax Return based on the following statutory time limits:
 - A notice of enquiry into a Company Tax Return can be raised up to 12 months from the receipt date of the return.
 - A notice of enquiry into an Amended Company Tax Return can be given at any time up to the 31 January, 30 April, 31 July or 31 October next following the first anniversary of the day on which the amendment was made.



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Barrie Dowsett has more than 10 years of experience in claiming R&D tax credits, and is the owner of R&D tax credits specialist Myriad Associates.

Barrie will be able to determine in a matter of minutes if a project qualifies or not, and you can contact him on:

T: 01858 414 249

E: bjd@myriadassociates.com

with questions or to arrange a free consultation.



You can also make free use of Myriad's online R&D Tax Credit calculator
myriadassociates.com/rd-tax-credits-calculator-201213
by simply signing up with an email address.