

Software development, IT and telecommunications.

R&D tax relief



R&D tax relief - software development, IT and telecommunications.

There are strict rules covering R&D tax relief claims centred on software development. Mitchells employs software specialists to ensure that the claim is accurate and will stand up to any HMRC scrutiny.

The IT conundrum

IT is the world's most rapidly evolving and prolific sector and whilst some form of innovation is almost always present, the 'R&D' component (as per the legislation) is difficult to assess with any degree of confidence.

This is because technology tends to be complex by nature and evolves at such a pace that it is difficult to articulate what actually denotes 'innovation' or 'leading (or bleeding) edge'. This is borne out of the fact that software is also notoriously difficult to patent or protect in any way.

Software can be aesthetically and operationally innovative. For example, software may be the 'first of its type' or perhaps 'no one else has done this', however, if the right boxes are **not** being ticked in terms of what qualifies under the R&D legislation, any claims against this scheme will come to nothing.

For this reason many potential IT claims are not even attempted, because many companies are rightly reluctant to spend significant amounts of time and money with no guarantee of success.

We can make the whole process simple by preparing a claim on the company's behalf. We provide the right information in the right format so that HMRC can quickly agree the R&D claim.

Typical qualifying claims

- Creation of new or efficient algorithms, artificial intelligence, or applied / enhanced logic.
- Making disparate computing systems / platforms talk. Overcoming issues of compatibility, stability, scalability, security and interoperability where routine or conventional methodology cannot be followed.
- Complex integrations / interrogations that have never been done before.
- Reverse engineering or 'hacking' into old systems to bring them up to speed with current systems (e.g. legacy systems that are notoriously cumbersome and have little documentation) so routine or conventional methodology cannot be followed.
- Complex communications e.g. combining mobile and static technologies, structured and non-structured data, multiple operating systems etc.
- Technologically innovative (and challenging) ways of overcoming project imperatives; complexities around legislative compliance.
- Use of cutting edge technologies with minimal amounts of history or documentation, often meaning there are no precedents to work from and skills are learnt on the job.

Typical non-qualifying claims

- The handling of interactions with users. This covers areas such as development of data entry procedures and user interfaces.
- The visual presentation of information to users.
- The assembling, carrying out routine operations on and the presenting of data.
- Using standard methods of encryption, security verification and data integrity testing.
- Creation of websites or software using tools designed for that purpose.
- Routine adaptation of an existing product or process.
- Assembling components of a program to an established pattern or using routine methods for doing so is not R&D.

These are examples of what you may be doing, but if you can do them by following routine or conventional methodology then the claim will not be qualifying. The legislation essentially dictates that you have to be doing something that other software developers are not doing.

Contact us to receive a free health check and one of our experienced R&D advisers will be able to ascertain whether the development activity qualifies. If you are unsure at this stage, a telephone conversation with one of our advisers will be able to definitively establish whether or not a claim can be made.

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