



INTERNAL TRAINING · BUSINESS DEVELOPMENT

R&D Tax Credits

BD Training Manual

What counts as R&D for tax, how the merged scheme and ERIS work, what a claim is built from, and how to qualify a lead with confidence.

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This manual takes you from zero to confident on R&D tax relief. You don't need a science or tax background. By the end you'll be able to explain what we do in plain English, spot a company doing qualifying work, ask the right questions, collect the right documents, protect the deadlines, and know when to hand over to the technical team.

Part A · The basics

What R&D relief is, the legal definition of R&D, and what it looks like in each sector.

Part B · Schemes and rates

The merged scheme, ERIS, loss-makers, contracted-out work, overseas costs and grants.

Part C · How a claim is built

Qualifying costs, the notification and AIF, the evidence, the report and the deadlines.

Part D · BD playbook

Who to target, the discovery call, scoring a lead, the handover and objections.

The Reference section at the back has a glossary, a one-page quick reference card, a knowledge check and sources.

Look out for these boxes

IN PLAIN ENGLISH

The idea behind a rule, without the jargon.

BD TIP

Practical advice for your calls and meetings.

WATCH OUT

Things that can stop, shrink or invalidate a claim.

SAY IT LIKE THIS

Wording you can use with clients.

THE WHOLE MANUAL IN 60 SECONDS

1. **R&D tax relief** is a corporation tax incentive for companies that spend money trying to resolve **scientific or technological uncertainty**. It's only for companies.
2. The test is set by the **DSIT Guidelines**: a project seeking an **advance** in science or technology, through the resolution of **uncertainty** that a **competent professional** couldn't readily resolve. It's about the field's knowledge, not the company's.
3. For accounting periods beginning on or after **1 April 2024**, most companies claim under the **merged scheme**: a 20% taxable expenditure credit, worth about **15–16p per £1** of qualifying cost.
4. Loss-making SMEs that spend at least **30%** of their costs on R&D can claim **ERIS** instead: worth up to about **27p per £1**.
5. Qualifying costs are mainly **staff**, plus subcontractors and agency workers (usually at 65%), consumables, software, data and cloud computing. Never capital, rent or dividends.
6. Two forms protect the claim: a **claim notification** within 6 months of the period end for first-time (and lapsed) claimants, and an **Additional Information Form** before the tax return that makes the claim. Miss the notification and the claim is lost; without an AIF, HMRC removes the claim.
7. The claim goes in the company's **CT600**, for the current year or an earlier year still open. The window closes **two years after the end** of the accounting period.

CORRECT AT JANUARY 2027

R&D rules have changed almost every year since 2021, and the next Budget may change them again. If you're quoting a rate, a date or a deadline to a client, check it with the technical team first.

PART A

The basics

What R&D tax relief is, who can claim it, what the law means by R&D, and what qualifying work looks like in the sectors we target.

A1 What R&D tax relief is

The government wants companies to invest in research and development. R&D tax relief is how it pays for part of that investment: a company that spends money trying to push science or technology forward gets a deduction or credit against its corporation tax, or a cash payment if it has no tax to pay.

The rules are in the **Corporation Tax Act 2009 (CTA 2009)**: Part 3 Chapter 6A for the merged scheme's expenditure credit and Part 13 for ERIS, as rewritten by Finance Act 2024. The definition of R&D comes from section 1006 of the Income Tax Act 2007, read with the **Guidelines on the Meaning of Research and Development for Tax Purposes**, published by the Department for Science, Innovation and Technology (the **DSIT Guidelines**). HMRC's guidance is in the **Corporate Intangibles Research and Development Manual (CIRD)**.

IN PLAIN ENGLISH

The company spends money trying to work something out that experts in its field couldn't just look up or work out quickly. The government gives some of that money back. On the merged scheme, every £100,000 of qualifying cost is worth roughly **£15,000 to £16,200** to the company. On ERIS it can be worth nearly **£27,000**.

Who can claim

- **UK companies within the charge to corporation tax.** R&D relief is a corporation tax relief, so it's only for companies. Every lead we work is a limited company.
- The company must be a **going concern** when the claim is made, and not in administration or liquidation.
- The company must have carried out the R&D, or (for periods from April 2024) **decided to undertake it** and contracted it out (B6).
- Profitable and loss-making companies can both benefit. A loss-maker can receive **cash**.
- Costs must be borne by the company: where a customer or funder paid for the work directly, the company may not be able to claim them (B6, B8).

A2 The legal definition of R&D

For tax, R&D is not "anything new" or "anything innovative". Paragraph 3 of the DSIT Guidelines says R&D takes place when a **project** seeks to achieve an **advance in science or technology** through the **resolution of scientific or technological uncertainty**. All four ideas must be present.

1 · A project

A defined piece of work with an aim. The R&D is the part of the project that directly contributes to resolving the uncertainty, plus some qualifying indirect activities (A5).

We need: the aim, the start and end, who worked on it

2 · An advance in science or technology

An increase in overall knowledge or capability in a field: a new or appreciably improved process, material, device, product or service, or new knowledge. It's measured against the field, not the company.

We need: what the state of the art was, and what they were trying to go beyond

3 · Scientific or technological uncertainty

Uncertainty about whether something is scientifically possible or technologically feasible, or how to achieve it in practice. Business uncertainty (will it sell? can we afford it?) doesn't count.

We need: what they didn't know how to do, and why

4 · The competent professional

The test is whether a competent professional working in the field couldn't readily deduce the answer. Someone knowledgeable about the relevant principles, aware of the current state of knowledge, with relevant experience and a track record.

We need: the person who can explain it, usually the technical lead

Science and technology, as the Guidelines define them

Science is the systematic study of the nature and behaviour of the physical and material universe. Work in the **arts, humanities and social sciences** (economics, psychology, law, design aesthetics) is not science for these purposes. **Mathematics** was always excluded except where it supported R&D in another field; from April 2023, pure mathematical advances also qualify.

Technology is the practical application of scientific principles and knowledge. Software, engineering, chemistry, materials and biotechnology are all technology fields.

IN PLAIN ENGLISH

If a skilled person in that industry could have told the client the answer, or worked it out with routine effort, it isn't R&D, however hard it felt to the client. If the client had to experiment, test hypotheses, build and break prototypes, and still wasn't sure it would work, it might be.

WATCH OUT

New to the company isn't the same as new to the field. Building their first app, moving to the cloud, or adopting a machine that competitors already use is not an advance in technology, even if it transformed the business. HMRC sees this mistake more than any other.

BD TIP

You don't decide whether a project qualifies; the technical team does, through the technical interview. Your job is to recognise the **signals** (A3) and find the person who can explain the uncertainty.

A3 Advance and uncertainty in practice

The easiest way to learn the test is through examples. In each pair the business goal is similar; what differs is whether the work goes beyond what a competent professional could readily do.

Sector	Likely R&D	Likely not R&D
Software	Designing a new algorithm to reconcile millions of records in real time where existing methods couldn't meet the latency target	Building a web app using a standard framework and database, however complex the business logic
Manufacturing	Developing a moulding process for a new polymer blend that warped under existing techniques	Installing a new production line supplied by the manufacturer and following its settings
Engineering	Designing a lighter bracket for a vibration load that standard calculations couldn't predict, with test rigs	Sizing a bracket from published tables and standard design codes
Food and drink	Reformulating a product to cut sugar by 40% without losing shelf life, where stability couldn't be predicted	Developing a new flavour by tasting combinations of existing ingredients
Life sciences	Developing an assay to detect a biomarker at concentrations below current limits	Running a validated, published assay as a routine service for clients
Construction	Developing a new method to underpin a structure on unstable ground where standard methods failed	Building a complex but conventional building to an architect's design
Architecture	Developing a new structural, façade or modular building system whose performance couldn't be predicted with standard methods, proven through modelling and prototypes	Building design, layout and aesthetics; planning drawings; meeting building regulations by standard means
AI and data	Developing a model architecture to make reliable predictions from sparse, noisy sensor data where known methods failed	Connecting a chatbot to a third-party language model API and writing prompts

Signals to listen for

Good signs

- "We tried several approaches before one worked."
- "Nobody had done it this way; there was nothing off the shelf."
- "We built prototypes and test rigs."
- "We weren't sure it was technically possible."
- "We had to invent our own method or tool."
- Patents applied for, Innovate UK grants, failed iterations

Warning signs

- "It's new to us" or "new to our market"
- "The hard part was getting customers / funding / the design right"
- "We configured a package" or "customised a template"
- "We followed the supplier's instructions"
- The uncertainty is about cost, timing, or whether customers will like it
- All the technical work was done by a third party who owned the problem

UNCERTAINTY CAN BE ABOUT "HOW", NOT JUST "WHETHER"

A project can qualify even if everyone knew the end result was possible, as long as **how to achieve it** wasn't readily deducible. Combining known technologies can be R&D if it wasn't obvious how they would work together (DSIT Guidelines para 3 and 4). Conversely, a project that fails still qualifies if it was a genuine attempt to resolve uncertainty.

A4 What isn't R&D

Even within a genuine R&D project, a lot of the work isn't R&D. The technical team separates out the parts that directly contribute to resolving the uncertainty.

Excluded	Why
Arts, humanities and social sciences	Not science for tax purposes: market research, design aesthetics, economics, psychology, user research
Commercial and financial work	Raising funds, sales, marketing, business planning, patent filing, legal work
Routine work and quality control	Routine testing, analysis and maintenance once the uncertainty is resolved; testing a product against a standard
Production and distribution	Making and selling the product once it works, including trial production runs that aren't resolving uncertainty
Cosmetic and stylistic changes	Changes to look and feel, packaging or presentation
Adaptation of existing technology	Applying a known solution in a new context where the outcome is readily deducible
Work after the uncertainty is resolved	Once a competent professional could see the answer, the R&D has ended; scaling up or rolling out is not R&D unless new uncertainties arise

BD TIP

When a client describes a project, ask what happened after it worked. Roll-out, scaling to more customers, documentation and support are usually where the R&D ended. Clients often count those months too.

WATCH OUT

A company's accounts may label costs as "R&D" or "development" for accounting reasons. That doesn't decide the tax position. Capitalised development costs can still qualify as revenue R&D for tax, and costs labelled R&D may not meet the definition at all.

A5 Where a project starts and ends

The R&D phase begins when work to resolve the uncertainty starts, and ends when that uncertainty is resolved or the work stops. Costs outside that window don't qualify, even if they're on the same project code in the accounts.

Before

Market research, concept ideas, commercial feasibility, specifying what the customer wants.

Not R&D

During

Planning the technical approach, design, building and testing prototypes, analysing results, iterating, writing up findings.

R&D: this is what we claim

After

Production, roll-out, customer support, routine testing, documentation for users, marketing.

Not R&D

Qualifying indirect activities (QIAs)

The Guidelines (para 31) allow some activities that support the R&D without directly resolving uncertainty. They include:

- scientific and technical information services, such as preparing the original report of R&D findings;
- indirect supporting activities such as maintenance, security, administration and clerical work, and finance and personnel work, **to the extent undertaken for the R&D**;
- ancillary activities essential to the R&D, such as taking on and training staff who'll work on the project;
- training needed to directly support the R&D project;
- research by students and researchers at universities;
- developing new scientific or technological testing, survey or sampling methods, where that isn't R&D in its own right;
- feasibility studies to inform the strategic direction of a specific R&D activity.

WATCH OUT

QIAs are a small part of most claims. A finance director's time is claimable only for the part spent supporting the R&D, and HMRC challenges large QIA figures. Never assume a whole team qualifies because it "supports" the developers.

A6 R&D by sector

R&D happens well beyond labs. These are the sectors where we find most claims, with what typically qualifies and what typically doesn't.

Sector	Typical qualifying work	Typical non-qualifying work
Software and SaaS	New algorithms; performance, scale or latency problems with no known solution; novel data architectures; integrating systems where the method wasn't obvious; security and encryption advances	Standard web and mobile apps; front-end design; configuring platforms; CRUD functionality; bug fixes in routine work
AI and machine learning	Novel model architectures; training methods for poor or scarce data; reliability, explainability or efficiency advances; multi-agent coordination problems with no known method	Using an off-the-shelf model through an API; prompt writing; standard fine-tuning with documented methods
Engineering and design	Bespoke machines; new mechanisms; solving thermal, vibration or fluid problems beyond standard methods; test rigs and prototypes	Design to standard codes; drafting; routine CAD; selecting off-the-shelf components
Manufacturing	New processes; yield and waste improvements needing experimentation; new materials and tooling; automation where integration was uncertain	Buying and commissioning standard equipment; routine production; quality control
Life sciences and biotech	Drug discovery; new assays and diagnostics; formulation; clinical trials; process development for biologics	Running validated tests as a service; regulatory submissions; commercial manufacture
Chemicals and materials	New formulations and compounds; coatings and adhesives with new properties; scale-up where behaviour couldn't be predicted	Mixing to a known recipe; reformulation to change colour or scent only
Food and drink	Reformulation for health targets; shelf-life extension; new processing methods; allergen-free alternatives	New recipes using known techniques; packaging design; taste panels
Architecture	New structural, façade or modular systems; environmental and energy performance beyond what standard modelling could predict; new materials and assemblies tested through prototypes	Building design and aesthetics (arts, not science); planning and drawings; specifying standard products
Construction and property	New construction methods and materials; ground engineering; energy and building-services innovation; modern methods of construction	Conventional building work; project management; complying with regulations by standard means
Agritech and environment	Crop, soil and water science; precision farming tech; new waste-to-value and carbon-capture processes	Applying known farming practices; installing standard renewables
Creative and digital	Game engines, rendering, physics, audio and streaming technology	Game design, story, art, music and level design (arts, not science)

BD TIP

Founders often undersell their work. Ask "What was the hardest technical problem you solved last year?" and "What didn't work first time?" The answer to those two questions is usually where the claim lives.

A7 Software, data and AI

Software is the largest single source of claims and the area HMRC scrutinises hardest. The Guidelines treat software like any other technology: the work must seek an advance in **software technology or computer science itself**, not just use software to deliver a business outcome.

Can be R&D

- Developing new or appreciably improved algorithms, data structures or protocols
- Overcoming genuine performance, scalability, concurrency or latency limits where known techniques failed
- Getting systems to interoperate where no documented method existed and the approach had to be discovered
- Developing new methods of data compression, encryption or security
- Creating new ML model architectures, training regimes or evaluation methods
- Making AI outputs reliable, explainable or efficient where published methods didn't work for the problem
- Designing multi-agent or orchestration systems where the coordination problem had no known solution

Usually not R&D

- Building on established frameworks in a well-understood way
- Business process automation using existing tools
- User interface and user experience design
- Migrating to the cloud or between platforms using documented methods
- Integrating third-party APIs as documented
- Prompt engineering, chatbot wrappers and standard use of large language models
- Routine testing, bug fixing and maintenance after the uncertainty is resolved
- Content, data entry and configuration

The questions the technical team will ask

1. What was the technical baseline: what existed, and what did published methods, libraries and products allow?
2. What did you need to achieve that the baseline couldn't? Give numbers where you can (speed, accuracy, scale).
3. Why couldn't a competent developer just look it up or work it out quickly?
4. What did you try, what failed, and what did you learn?
5. When did the uncertainty start and when was it resolved?
6. Who did the work, and how much of their time did it take?

WATCH OUT: AI CLAIMS

Many businesses now "build with AI". Most of that is using AI, not advancing it. A claim needs a technological problem that couldn't be solved with the published methods, such as getting a model to perform reliably on data or constraints that known approaches couldn't handle. Refer every AI claim to the technical team before setting expectations.

DATA AND CLOUD COSTS

From 1 April 2023, licences for datasets and cloud computing costs (computing power, storage and associated software) can qualify where they're used directly in the R&D (C4). That's often significant for AI and data companies. Hardware and cloud costs for running the live product don't qualify.

PART B

Schemes and rates

Which scheme a claim falls into, what each one is worth, how loss-makers are treated, and the rules on contracted-out work, overseas costs, grants and groups.

B1 Which scheme applies

The scheme depends on **when the accounting period began**, not when the money was spent or when the claim is made.

Accounting period began	Scheme	Still claimable?
Before 1 April 2024	Legacy schemes: the SME scheme (enhanced deduction and payable credit) or RDEC for large companies and subsidised work (B5)	Only for companies exempt from claim notification, or that notified on time (B5). The last windows close by February 2027.
On or after 1 April 2024	Merged scheme: a 20% expenditure credit for all company sizes (B2). Loss-making R&D-intensive SMEs can choose ERIS instead (B3).	Yes: this is almost all our current work.

How we got here

- 2000** ● SME scheme introduced. A large company scheme follows in 2002.
- April 2013** ● R&D expenditure credit (RDEC) introduced; mandatory for large companies from April 2016.
- April 2021** ● PAYE/NIC cap on payable SME credits (B4).
- 1 April 2023** ● **Rates rebalanced:** SME deduction cut to 86% and credit to 10% (14.5% for R&D intensives); RDEC raised to 20%. Data licences, cloud computing and pure maths qualify. **Claim notification** required for periods beginning on or after this date.
- 8 August 2023** ● **Additional Information Form** mandatory for every claim (C9).
- 1 April 2024** ● **Merged scheme and ERIS** for periods beginning on or after this date. Overseas restriction and new contracted-out rules. ERIS intensity threshold 30%.
- 18 May 2026** ● **Targeted advance assurance** for SMEs on specific complex or high-risk areas of a claim, announced at Autumn Budget 2025 (C13).

IN PLAIN ENGLISH

For almost every client we talk to now, the question is simple: **merged scheme or ERIS?** Merged is the default. ERIS is for loss-making SMEs that spend a big share of their costs on R&D. The technical team works out which gives the better result.

B2 The merged scheme

The merged scheme gives an **expenditure credit of 20%** of qualifying R&D expenditure. It's "above the line": it goes into the accounts as income, so it's taxable. That's why the net benefit is less than 20%.

HEADLINE CREDIT

20%

of qualifying expenditure

NET BENEFIT, MAIN RATE

15%

company paying 25% corporation tax

NET BENEFIT, LOSS-MAKING

16.2%

after notional tax at 19%

What £100,000 of qualifying expenditure is worth

Company position	Tax on the credit	Credit	Net benefit
Profits over £250,000	Main rate, 25%	£20,000	£15,000
Profits £50,000 to £250,000	Marginal relief: effective 26.5%	£20,000	£14,700
Profits up to £50,000	Small profits rate, 19%	£20,000	£16,200
Loss-making	Notional tax at 19% deducted	£20,000	£16,200 (cash, subject to the cap)

How the credit reaches the client

The credit is first used to pay the company's corporation tax for the period. What's left goes through HMRC's set-off order (the "waterfall", B4), and any balance is paid in cash or carried forward. A profitable company sees it as a lower tax bill; a loss-maker sees a payment from HMRC.

What's in the merged scheme

- All company sizes: SMEs and large companies on the same rules
- Subcontracted R&D claimed by the company that decides to undertake it (B6)
- Subcontractor and agency worker costs, generally at 65% where unconnected
- Overseas subcontractor and agency worker costs restricted (B7)
- No subsidised expenditure restriction: grant-funded projects can qualify

What it replaced

- The SME scheme's 86% enhanced deduction and 10% payable credit
- The separate RDEC scheme for large companies
- The rule that pushed grant-funded SME projects into RDEC
- The SME rule that a contractor claims for work it does itself

WATCH OUT

Don't quote the headline 20% as the client's saving. Always talk about "around 15 to 16 pence per pound of qualifying cost" until the technical team has done the numbers, and never quote a figure before the costs are analysed.

BD TIP

Many profitable SMEs got 21.5% under the old scheme (86% × 25%). On the merged scheme they get 15%. If a returning client asks why the benefit fell, that's the reason: it's the rules, not the quality of the claim.

B3 ERIS: enhanced support for R&D-intensive SMEs

ERIS keeps the old SME-style relief for small companies that are both **loss-making** and **R&D intensive**. It's the most valuable relief available, and it's often the right answer for early-stage tech and life sciences companies.

1 · An SME

Fewer than 500 staff, and either turnover up to €100 million or a balance sheet up to €86 million, counting linked and partner enterprises (B9).

2 · Loss-making

The company has a trading loss for the period after the enhanced deduction.

3 · R&D intensive

Qualifying R&D expenditure is at least **30%** of total relevant expenditure, measured with connected companies. There's a one-year grace period for a company that qualified the year before.

How it works

1. The company deducts its R&D costs as normal (100%) and an **additional 86%**: a total deduction of **186%**.
2. That increases the trading loss. The company can **surrender** the loss (up to 186% of its R&D spend) for a payable credit of **14.5%**.
3. The credit isn't taxable. Or the company can keep the loss and carry it forward instead.

On £100,000 of qualifying expenditure	Amount
Additional deduction (86%)	£86,000
Total deduction (186%)	£186,000
Payable credit (14.5% of £186,000, if the loss is at least that big)	£26,970
Benefit as a share of qualifying spend	about 27%

ERIS VS MERGED FOR A LOSS-MAKER

On £100,000: ERIS gives up to **£26,970**; the merged scheme gives **£16,200**. A company that qualifies for ERIS almost always prefers it, but it must choose: a company can't claim both on the same costs.

THE 30% TEST IS MEASURED CAREFULLY

"Total relevant expenditure" is broadly the company's costs, adjusted as the legislation requires, and it includes connected companies. A company with a large group, big cost of sales or heavy overheads can fall below 30%. The technical team calculates it; don't promise ERIS on the call.

WATCH OUT

The credit is capped by the size of the loss and by the PAYE/NIC cap (B4). A company with a small loss, or a founder-only company with almost no payroll, can get much less than 27%. Raising funds doesn't affect the claim, but spending on non-R&D activities (sales, marketing) dilutes the intensity ratio.

BD TIP

VC-backed and grant-funded start-ups, spin-outs and biotechs are classic ERIS clients: high R&D spend, no profits yet, and a real need for cash. Ask about headcount by role. If most of the team are engineers or scientists, the 30% test may well be met.

B4 Loss-makers, the waterfall and the PAYE cap

When a company has no tax to pay, the credit becomes cash. HMRC doesn't simply pay it out: the credit goes through a fixed order of set-offs, known as the **waterfall**.

- 1 Corporation tax for the period**
The credit first pays the company's corporation tax liability for the claim period.
- 2 Notional tax**
An amount equal to tax on the credit is deducted (19% for a loss-making company), because the credit itself is taxable. It can be used against tax in later periods.
- 3 The PAYE/NIC cap**
The remaining payable amount is capped (below). Any excess is carried forward to the next period.
- 4 Corporation tax of other periods**
Any corporation tax the company owes for other accounting periods is paid off.
- 5 Group surrender (optional)**
The company can surrender the remaining credit to another group company.
- 6 Other HMRC debts**
Other liabilities owed to HMRC, such as VAT or PAYE, are paid off.
- 7 Cash**
Anything left is paid to the company, or it can choose to keep it against future liabilities.

The PAYE/NIC cap

To stop abuse by companies with no real UK workforce, payable credits are capped at **£20,000 plus 300% of the company's PAYE and NIC liabilities** for the period (including certain liabilities of connected companies for workers on the project).

The cap doesn't apply if the company's employees are creating, preparing to create or managing intellectual property, and no more than **15%** of its qualifying expenditure goes to connected subcontractors or agency workers.

IN PLAIN ENGLISH

A company with a real UK payroll is rarely affected. A founder-led company that pays its directors through dividends, or outsources everything to a connected company overseas, can see its cash payment capped.

NO PROFITS THIS YEAR?

The claim still has value: the credit becomes cash, or ERS creates a loss that can be surrendered or carried forward against future profits.

WATCH OUT

A company must be a **going concern** to receive a payable credit, and HMRC can hold back payment while it checks a claim or while other returns are outstanding. Never promise a payment date or amount.

B5 Legacy schemes and the last open periods

Accounting periods that began **before 1 April 2024** are claimed under the old rules. Most are now closed, but a small and urgent window remains.

Expenditure incurred	SME scheme	RDEC (large and subsidised)
Before 1 April 2023	130% additional deduction (230% total); payable credit 14.5% of the surrendered loss	13% credit
From 1 April 2023, in a period beginning before 1 April 2024	86% additional deduction (186% total); payable credit 10%, or 14.5% for R&D-intensive SMEs (40% intensity)	20% credit

Which legacy periods are still open?

A period can be claimed until two years after it ends (C12). A 12-month period that began before 1 April 2024 ended by 31 March 2025 at the latest, so the last legacy windows close in **early 2027**.

Year ended	Period began	Scheme	Window closes
31 December 2024	1 January 2024	Legacy	31 December 2026 (closed)
31 January 2025	1 February 2024	Legacy	31 January 2027
28 February 2025	1 March 2024	Legacy	28 February 2027
31 March 2025	1 April 2024	Merged	31 March 2027

LEGACY CLAIMS ARE FOR EXISTING CLAIMANTS ONLY

These periods began after 1 April 2023, so **claim notification** applied (C8). A company that had never claimed needed to notify by mid-2025; if it didn't, the claim is already lost. A legacy claim can still be made only where the company **was exempt from notification** (it made a qualifying claim in the three years to the end of its notification window; claims made by amended return for pre-April 2023 periods don't count), or **notified on time**, and hasn't yet claimed for that period.

What was different in the SME scheme

- **Contracted-out work:** an SME claimed for R&D it did itself, even for a customer; under the merged scheme the customer that decided to do the R&D generally claims (B6).
- **Subsidised expenditure:** grant-funded or otherwise subsidised projects had to be claimed under RDEC at a lower rate (B8).
- **Work for large companies:** an SME subcontracted by a large company claimed RDEC, not SME relief.
- **No overseas restriction** on subcontractors and agency workers.

BD TIP

If an existing claimant with a January or February year end hasn't yet claimed for its 2025 year end, flag it to the technical team the same day. A profitable SME's legacy period can be worth 21.5% (86% × 25%) against 15% on the merged scheme.

B6 Contracted-out R&D: who claims

When one company pays another to do R&D, only one of them can claim. Under the merged scheme, relief is aimed at the company that **decides to undertake or initiate the R&D**, not necessarily the company that does the work.

When is R&D "contracted out"?

HMRC treats R&D as contracted out when a company contracts for activities to be done on its behalf, those activities include R&D, and it's reasonable to assume (from the contract and surrounding circumstances) that the customer **intended or contemplated** R&D of that kind. Mere awareness that R&D might be needed isn't enough.

The customer claims

Where the customer contracted for R&D: it specified a technical problem, bears the risk, controls the approach or owns the results. It claims the subcontractor costs (generally at 65% if unconnected, C4).

The contractor can't claim the same work

The contractor claims

Where the customer only wanted an end result and was indifferent to how it was delivered, so R&D wasn't contracted out; or where the customer is outside the charge to UK corporation tax (for example, an overseas customer).

The contractor claims its own staff and costs

The evidence HMRC weighs

Factor	Points towards the customer claiming if...
Contract wording	The contract describes technical development, testing or solving a technical problem
Intellectual property	The customer owns the IP and the results
Financial risk	The customer pays whether or not it works (time and materials) rather than a fixed price for a working product
Control	The customer directs the method, reviews progress and makes technical decisions
Strategy	The R&D fits the customer's own product strategy and senior people drove the decision
Contractor type	The contractor is a specialist R&D provider

WATCH OUT

Software houses, engineering consultancies and contract research organisations are the companies most affected. A dev agency that used to claim for client work under the SME scheme may now have nothing to claim on those projects, while its clients may have a claim they don't know about. Both sides are leads: refer them. Where it's unclear, the parties can agree who claims; HMRC treats a reasonable agreement as persuasive.

BD TIP

Ask every claimant: "Do you do technical work for clients, or pay anyone else to do technical work for you?" Then ask for the contracts. Fixed-price, outcome-based contracts and time-and-materials contracts can point in opposite directions.

B7 Overseas costs

For periods beginning on or after 1 April 2024, payments to **subcontractors** and for **externally provided workers** (agency staff and contractors) generally qualify only where the R&D is carried out **in the UK**. Externally provided workers must be paid through UK PAYE.

The exception

Overseas work can qualify where the conditions needed for the R&D aren't present in the UK and can't reasonably be replicated, because of:

- geography (for example, deep sea or particular terrain)
- environment (climate, natural conditions)
- population (for example, a clinical trial needing a particular patient group)
- a legal or regulatory requirement that the work happens there

Not exceptions

- Cost: it's cheaper abroad
- Availability or skills of staff
- Speed or convenience
- The group's development centre happens to be overseas
- Long-standing relationships with an offshore dev team

WATCH OUT

Offshore development teams are common in software. A UK company that pays a team in India or Eastern Europe through an outsourcing firm will usually lose those costs. Its own UK employees still qualify. Ask where every contractor and subcontractor is based. Refer any client with staff on an overseas payroll.

B8 Grants and subsidies

Grant funding is a strong sign of R&D (Innovate UK, Horizon Europe, UKRI and similar funders assess technical novelty), but it changes the claim.

Period	Effect of grant funding
Merged scheme	No subsidised expenditure restriction: grant-funded costs can be claimed at the full 20%.
ERIS	Refer: the technical team checks how the grant interacts with the claim and with the 30% intensity test.
Legacy SME scheme	Subsidised costs and notified state aid projects went into RDEC at a lower rate, and costs paid by the funder directly didn't qualify.

BD TIP

Search for clients on the UKRI "Gateway to Research" and Innovate UK funded projects data: they list every funded company, project title and grant amount. A company that won a grant has already persuaded technical assessors that its work is novel.

B9 SME status, groups and connected companies

Size now matters mainly for **ERIS** (SMEs only) and for any legacy periods. The test follows the EU recommendation: fewer than 500 staff, and either turnover of no more than **€100 million** or balance sheet total of no more than **€86 million**.

Relationship	How it's counted
Linked enterprise	Control, usually more than 50% of shares or votes, in either direction. 100% of its staff and figures are added.
Partner enterprise	A holding of 25% to 50%. Its figures are added in proportion to the holding.
Some investors	Certain investors (for example, some venture capital funds and business angels) can be ignored below set limits. The technical team checks.

WATCH OUT

A small UK company owned by a large overseas group is **not an SME**, however few staff it has. It can still claim the merged scheme, but not ERIS.

Connected parties

Payments to connected subcontractors and agency workers are restricted to the lower of the payment and the connected party's own relevant costs, rather than the 65% rule (C4). Connected parties also count towards the ERIS intensity test and the PAYE cap.

B10 R&D and our other services

R&D tax relief covers revenue spending. Capital spending on R&D gets its own reliefs, and that's where our capital allowances team comes in.

R&D allowances

100% first-year relief on capital spent on facilities and equipment for R&D: labs, test rigs, equipment (CAA 2001 Part 6). Not land or dwellings.

Refer to the capital allowances team

Plant and machinery

Lab and workshop equipment, computers and fit-out can qualify for the AIA, full expensing or the 40% first-year allowance.

Cross-sell: new premises and fit-outs

Patent Box

A 10% corporation tax rate on profits from patented inventions. A successful R&D client with granted patents may benefit.

Refer: specialist area

BD TIP

An R&D client that has just moved into a new lab, workshop or office is a capital allowances lead too. Ask: "Have you bought or fitted out premises in the last few years?"

B11 Red flags: when to slow down

None of these automatically kills a lead, but each one changes what we can claim or how much risk the claim carries. Spot them early, write them down and refer them.

Red flag	What it means	What to do
No claim in the last three years, and the period ended more than six months ago	A claim notification was probably required and the deadline has passed (C8). The claim is invalid.	Check the dates before anything else. Refer.
Period ended within the last six months, first claim	The notification window is open but closing.	Refer the same day.
Year end approaching two years ago	The claim window is about to close (C12).	Refer the same day.
Work done for clients	The client may claim instead (B6).	Get the contracts. Refer.
Development outsourced abroad	Overseas subcontractors and agency workers usually excluded (B7).	Ask where each supplier works.
"Everyone works on R&D"	Over-claiming staff time is the commonest error HMRC finds.	Ask for roles and realistic time splits.
Directors paid by dividends only	Dividends aren't staff costs; the PAYE cap may bite.	Ask how directors are paid.
Previous claim by another adviser	Quality varies. A weak claim may be open to enquiry, and a contingent-fee or "no-win no-fee" claim may need reviewing.	Get the past reports and AIFs.
HMRC enquiry open or recently closed	The approach to future claims may need to change.	Refer with the correspondence.
Large group or foreign parent	Not an SME: no ERIS.	Ask about the ownership structure.
Business uncertainty only	The problem is commercial, creative or about customers.	Probably no claim; refer if unsure.
Company in difficulty	No payable credit unless a going concern; HMRC debts are set off first.	Ask about HMRC debts and solvency.
Costs met by a grant funder or customer directly	Costs the company didn't bear can't be claimed.	Ask who paid.

THE MOST COMMON REASON A GOOD LEAD FAILS

It isn't the science. It's the **dates**. A first-time claimant whose year ended more than six months ago without notifying HMRC has lost that year's claim, however strong the project. Check the claim history and year end before you spend time on the technical story.

PART C

How a claim is built

Our process, qualifying costs, the forms that protect a claim, the evidence, our report and the deadlines.

C1 The claim journey

1	Cold call Qualify the lead (D3): year end, claim history, the technical work, who did it and the rough costs.	BD
2	Technical call The BD and one of our technical team speak to the client's technical lead, to test whether there's a claim worth making (D5).	BD + Technical
3	Letter of engagement signed The LOE is issued and signed.	BD
4	Onboarding and AML AML and ID checks, done once per client, not repeated each year.	Technical
5	Claim notification, if needed Prepared from a project summary, signed off by the client and filed within six months of the period end (C8). Never let this slip.	Technical
6	Request the financial documents Accounts, payroll, ledgers, supplier invoices and contracts (C10).	Technical
7	Technical interview With the competent professional: baseline, advance, uncertainties, work done, people and time. Or a written questionnaire where that suits the client.	Technical
8	Technical report and financial analysis Run in parallel: projects written up against the DSIT Guidelines; costs analysed, staff time apportioned, scheme chosen.	Technical
9	Full report and AIF Technical and financial work combined. The AIF uses the report's data, so client sign-off of the report doubles as sign-off of the AIF.	Technical
10	Review and client sign-off Figures reconcile, wording checked; the client's senior officer approves.	Client
11	File the AIF and the CT600 Ideally the AIF goes in before the company's first CT600. If not, the AIF is filed later and the CT600 amended to include the claim, within two years of the year end (C12).	Technical
12	HMRC processes the claim HMRC may run checks or ask questions (C13), then reduces tax or pays cash.	HMRC
13	Invoice and the following year We invoice in line with the engagement letter. The delivery team follows up for the next year's claim; onboarding isn't repeated and a notification is usually not needed.	Delivery

WHERE BDS MAKE THE DIFFERENCE

Steps 1 to 3. Getting the year end and claim history on the cold call protects the deadlines; a well-prepared technical call wins the LOE.

C2 Qualifying costs at a glance

Only certain categories of **revenue** expenditure qualify, and only the part attributable to R&D. Each category has its own rules.

Category	What's included	How much
Staff costs	Salaries, wages, bonuses, employer's NIC, employer pension contributions and some reimbursed expenses, for employees and directors directly and actively engaged in R&D	The R&D share of each person's time (C3)
Externally provided workers (EPWs)	Agency staff and contractors supplied by a staff provider, working under the company's supervision; must be paid through UK PAYE	65% if unconnected; connected rules otherwise (C4)
Subcontracted R&D	Payments to another business to carry out part of the R&D, in the UK (B7)	65% if unconnected; connected rules otherwise (C4)
Consumables	Materials used up or transformed in the R&D; water, fuel and power used in it	The R&D share (C5)
Software	Licences for software used directly in the R&D	The R&D share (C5)
Data licences	Licences to use datasets in the R&D, from 1 April 2023	The R&D share (C5)
Cloud computing	Computing power, storage and associated software used directly in the R&D, from 1 April 2023	The R&D share (C5)
Clinical trial volunteers	Payments to people taking part in clinical trials	In full

Three rules apply to every category

Revenue, not capital

Capital spending (equipment, buildings) doesn't qualify for R&D tax relief. It may get R&D allowances instead (B10).

Actually paid

Costs must be incurred and, for staff, paid. Bonuses and pension contributions paid more than 12 months after the period end don't count for that period.

Borne by the company

Costs recharged to a customer, or paid directly by someone else, can't be claimed by the company.

IN PLAIN ENGLISH

For most clients, **staff costs are 60% to 90% of the claim**. Getting the people and the time splits right matters far more than finding small consumables. The technical team will want payroll reports, not just the accounts.

C3 Staff costs in detail

Included

- Gross salaries and wages, including overtime and bonuses
- Employer's Class 1 NIC
- Employer pension contributions
- Reimbursed business expenses (such as travel) relating to the R&D
- Directors' salaries, through payroll
- Pay for employees who are directly and actively engaged in the R&D, including those in qualifying indirect activities, for the R&D share of their time

Excluded

- **Dividends**, however the director thinks of them
- Benefits in kind: company cars, private medical insurance, gym memberships
- Staff time on non-R&D work: sales, support, production, admin unrelated to R&D
- Recruitment fees and training not tied to the project
- Accrued bonuses not paid within 12 months
- Costs of people who only supervise generally, with no direct involvement

Who counts as working on R&D

Role	Typical treatment
Engineers, developers, scientists	Time on qualifying projects counts; time on routine work, support and production doesn't
Technical leads and CTOs	Planning, directing and reviewing the R&D counts; general management doesn't
Testers and QA	Testing that resolves the uncertainty counts; routine quality control doesn't
Project managers	Managing the R&D activity can count; commercial project management doesn't
Finance, HR, admin	Only as qualifying indirect activities, for the share supporting the R&D
Sales and marketing	Never

Apportioning time

Few people spend 100% of their time on R&D. The technical team apportions each person's costs using the best evidence available: timesheets, project management tools (Jira, Asana, Git history), sprint records or, failing those, a reasoned estimate from the technical lead, cross-checked against the projects.

WATCH OUT

HMRC's most frequent finding is over-claimed staff time: whole teams at 100%, directors at 100% while also running the business, or the same percentage for everyone. Expect reasonable, person-by-person splits. A claim built on "everyone's an engineer" won't survive a check.

BD TIP

Ask for a **payroll summary by employee** for the year, and a list of who worked on what. If directors take most of their pay as dividends, say early that only payroll salary counts, so the client isn't surprised by the figure.

C4 Subcontractors and externally provided workers

Externally provided workers (EPWs)

Individuals supplied to the company by a staff provider (an agency, or a contractor's own company), who work under the company's supervision, direction or control. Not employees of the company.

Must be on UK PAYE for periods from April 2024

Subcontractors

Another business paid to carry out part of the R&D itself, under its own direction: a university, a test lab, an engineering consultancy, a software house.

Work must be done in the UK, subject to the exceptions (B7)

Relationship	Qualifying amount
Unconnected	65% of the payment for the R&D work
Connected (same group or common control)	The lower of the payment and the connected party's own relevant R&D costs (it must account for the payment properly)
Unconnected, by joint election	The parties can elect to use the connected rule instead; occasionally beneficial

SELF-EMPLOYED CONTRACTORS

A freelancer paid directly on invoices, outside a staff provider and not on payroll, may be a subcontractor rather than an EPW, with different rules. The technical team classifies each one, so get a list of every contractor, how they're paid and where they work.

C5 Consumables, software, data and cloud

Category	Qualifies	Doesn't qualify
Consumables	Materials and items used up or transformed in the R&D: chemicals, components destroyed in testing, prototype materials; the R&D share of water, fuel and power	Rent, rates, telephone, general overheads; items used in production; prototypes later sold (refer)
Software	Licences for software used directly in the R&D, apportioned where also used for other work	Software for sales, finance or general office use; software developed for sale
Data licences	Licences to use a dataset, or a set of data, in the R&D	Data bought outright as an asset; data used in the live product
Cloud computing	Computing power, data storage, and associated software and operating systems, where directly used in the R&D (for example, training and testing environments)	Hosting the live product; general IT; hardware; cloud for non-R&D teams

IN PLAIN ENGLISH

Ask for the **cloud and software bills** (AWS, Azure, Google Cloud, GitHub, specialist licences) and for which environments are used for development and testing rather than production. For AI and data companies, compute costs can be a large part of the claim.

C6 What never qualifies

Clients often expect these to be in the claim. Set expectations early so the figure isn't a disappointment.

Cost	Why not, and what might apply instead
Capital equipment and buildings	Capital, not revenue. R&D allowances or other capital allowances may apply (B10).
Rent, rates and office costs	Not a qualifying category, even for a lab used only for R&D.
Dividends	Not staff costs.
Benefits in kind	Not staff costs for R&D purposes.
Patent, legal and professional fees	Not R&D, including our own fees.
Land	Never qualifies.
Marketing, sales and market research	Commercial activity, not science or technology.
Production and roll-out costs	Outside the R&D phase (A5).
Overseas subcontractors and agency workers	Restricted from April 2024 unless an exception applies (B7).
Costs recharged to customers or met by others	Not borne by the company.
Depreciation and amortisation	Accounting entries, not qualifying costs.
Interest and finance costs	Not a qualifying category.

A SENSE-CHECK FOR THE SIZE OF A CLAIM

Take the payroll of the technical team, apply a realistic R&D share, add a share of qualifying contractors and cloud costs. That's the rough qualifying expenditure. Multiply by about 0.15 (merged) or 0.27 (ERIS) for the rough benefit. Use this only to prioritise leads internally. **Never quote it to a client.**

WATCH OUT

A claim that includes everything in the profit and loss account, or an R&D figure that equals total costs, is a red flag to HMRC. Our claims are built bottom-up from people and projects.

C7 A worked example

An illustrative Manchester robotics software company, year ended 31 March 2026 (a merged-scheme period). It developed a vision system to let warehouse robots pick irregular items, where existing methods failed on reflective packaging.

Cost	Total cost	R&D share	Qualifying
STAFF COSTS			
3 developers: salary £60,000, employer NIC £8,250, pension £3,000 each	£213,750	70%	£149,625
CTO (director): salary £50,000, NIC £6,750, pension £3,000	£59,750	50%	£29,875
EXTERNAL			
Agency machine-learning engineer (EPW, unconnected, UK PAYE)	£30,000	65%	£19,500
University lab: optical testing (subcontractor, UK)	£40,000	65%	£26,000
OTHER			
Cloud computing (training and test environments)	£18,000	60%	£10,800
Software licences	£6,000	50%	£3,000
Sensors and components destroyed in testing	£2,500	100%	£2,500
EXCLUDED			
Offshore dev team via an outsourcing firm (B7)	£55,000	–	£0
Founder dividends; office rent; test rig (capital: R&D allowances instead)	£76,000	–	£0
Qualifying R&D expenditure			£241,300

What it's worth

If the company...	Calculation	Benefit
pays the main rate (merged)	20% credit £48,260, less tax at 25% £12,065	£36,195
is loss-making (merged)	£48,260 less notional tax at 19% £9,169; payroll is big enough that the PAYE cap doesn't bite	£39,091 cash
is loss-making and R&D intensive (ERIS)	$186\% \times £241,300 = £448,818$ surrenderable; $\times 14.5\%$	£65,079 cash

Illustration only, with a simplified 15% employer NIC on salary above £5,000. ERIS assumes the company's trading loss is at least £448,818 and the 30% intensity test is met. The real outcome depends on the company's profits, payroll, connected parties and other HMRC liabilities.

WHAT THIS EXAMPLE TEACHES

Staff are 74% of the claim. Moving the offshore team in-house would have added more than any other change. The same costs are worth 15% to a profitable company and 27% to an R&D-intensive loss-maker, which is why the technical team always tests ERIS for start-ups.

C8 Claim notification

For accounting periods beginning on or after **1 April 2023**, many companies must tell HMRC in advance that they intend to claim. If a notification was required and wasn't made in time, **the claim for that period is invalid**. There's no late-filing route.

Notify within **6 months** of the period end

Strictly, six months from the end of the period of account in which the accounting period ends

Who must notify

- Companies claiming for the **first time**
- Companies whose last claim was made more than **three years** before the end of the notification window
- Companies whose previous claim doesn't count for the test, for example some claims made by amending a return. The technical team checks the history.

Who doesn't

- A company that made a qualifying claim within the three years ending on the last day of the notification window
- In practice: a regular annual claimant

Even then, a company switching to us from another adviser should give us its claim history so we can check.

What the notification contains

- The company's Unique Taxpayer Reference (UTR) and the accounting period dates
- Contact details for the company's **main senior internal R&D contact**
- Contact details for any **agent** involved in the claim (us)
- A **high-level summary** of the main R&D activities planned or carried out

It's filed online by the company or by us as agent. It's short, and it doesn't commit the company to claiming, so if **in doubt, notify**.

Example deadlines (as at January 2027)

Period ended	Notify by	Status
30 June 2026	31 December 2026	Passed
31 July 2026	31 January 2027	Days left
31 August 2026	28 February 2027	Urgent
30 September 2026	31 March 2027	Urgent
31 December 2026	30 June 2027	Open

EVERY FIRST-TIME LEAD IS A DEADLINE

Before anything else on a first-time claimant, get the **year end** and ask whether the company has ever claimed. If the window is open, refer the same day: the notification can go in on a short project summary, before the technical work is done.

BD TIP

Prospect before the year end. A company you sign in the six months after its period end has a deadline you can still meet. A company you find a year later may already have lost that period.

C9 The Additional Information Form (AIF)

Since **8 August 2023**, every R&D claim must be supported by an AIF, submitted online **before** the company tax return that makes the claim. If the return arrives without one, HMRC removes the claim from the return. We aim to file the AIF before the company's first CT600; if that's missed, the AIF can be filed later and the CT600 amended to include the claim, up to two years after the year end.

The company and the claim

- UTR, employer PAYE reference, VAT number and business type, matching the CT600
- Accounting period dates, matching the CT600
- **Senior officer** responsible for the claim, and the main R&D contact
- **Agent** details, and whether the agent prepared the claim
- Which scheme is claimed (merged or ERIS)
- Qualifying expenditure by category, and on qualifying indirect activities
- Any overseas expenditure claimed under the exceptions, and contracted-out R&D

Each project described

- The main field of science or technology
- The **baseline**: the knowledge or capability that existed at the start
- The **advance** sought
- The scientific or technological **uncertainties** faced
- **How and when** the company tried to overcome them
- The qualifying expenditure on the project

Number of projects	How many to describe
Up to three	All of them
Four or more	Enough projects to cover at least 50% of the qualifying expenditure, with a minimum of three. Where spend is spread across many small projects, the ten largest.

IN PLAIN ENGLISH

The AIF is HMRC's first look at the claim. Short, specific, factual answers about the baseline and the uncertainty matter more than long descriptions of what the product does. A vague AIF is one of the commonest triggers for HMRC questions.

WATCH OUT

The AIF and the CT600 must match exactly: dates, totals, scheme. And the senior officer named on the AIF is confirming the claim is correct, so they must have read it. We never submit an AIF the client hasn't approved.

BD TIP

Get the **senior officer's name** and the company's UTR and PAYE reference at onboarding. Chasing them in the final week before a deadline is avoidable.

C10 The evidence pack

This is the delivery and technical team's checklist: they gather and assess these documents. BDs can help by asking for the basics early, but you don't need to collect the full pack.

Document	Why we need it	Usually from
COMPANY AND COMPLIANCE		
Company number, UTR, PAYE and VAT references	Identity, AIF and CT600; AML checks	Client; Companies House
Year end and claim history	Scheme, notification and deadlines	Client; accountant
Group structure and shareholdings	SME status, connected parties, ERIS intensity	Client
Senior officer and R&D contact	Notification and AIF	Client
FINANCIAL		
Statutory accounts and detailed P&L	Total costs, profit or loss, intensity test	Accountant
Corporation tax computation and CT600	Tax position, losses, previous claims	Accountant
Payroll summary by employee	Salary, employer NIC, pension, bonuses	Client; payroll provider
Nominal ledger or transaction listing	Contractors, consumables, software, cloud	Client; accounting software
Contractor and subcontractor invoices and contracts	EPW vs subcontractor, location, connected status, who claims (B6)	Client
Grant agreements	Grant interaction (B8)	Client
Outstanding HMRC liabilities	The waterfall (B4)	Client; accountant
TECHNICAL		
Project list with start and end dates	Project boundaries (A5)	Technical lead
Staff list by role, with time on each project	Apportionment (C3)	Technical lead
Timesheets, Jira, Git or sprint records	Evidence for time splits	Client
Technical documents: specs, test results, design notes	Evidence of uncertainty and iteration	Technical lead
CVs or summaries of key technical staff	The competent professional	Client
Previous R&D reports and AIFs; patents, grant applications	Consistency; supporting evidence of the advance	Client; previous adviser

BD TIP

Ask for the **year end, claim history** and **payroll summary** on the first call. Between them they tell you the deadline, whether a notification is needed, and the rough size of the opportunity.

C11 Our report: what's inside

Every report follows the same structure, so that an HMRC officer can read it once and see why each project qualifies and how each figure was reached.

Section	What it does
Cover and contents	Logo, "Private & Confidential", company, accounting period, scheme, date prepared
1 Executive summary	Qualifying expenditure, scheme, the resulting credit or deduction, and the projects claimed
2 The company	What the company does, its sector, and the technical environment it works in
3 Competent professionals	Who they are and why they're qualified to judge the advance and uncertainty
4 Projects	For each project: aim, baseline, advance sought, uncertainties, work done, outcome, dates and people, tied to the DSIT Guidelines
5 Qualifying indirect activities	Any QIAs claimed and why
6 Qualifying expenditure	Each category, the method of apportionment, and the evidence used
7 Scheme and computation	Merged or ERIS, the intensity test, PAYE cap, and the waterfall
8 Basis and limitations	What the report relies on, and what's excluded
Appendices	Cost schedules, staff time schedules, and supporting documents

Standards every report meets

- The **DSIT Guidelines** cited (not the old BEIS references), with HMRC's guidance at **CIRD81910** onwards.
- Firm, factual statements about baseline, advance and uncertainty, specific to the field. No marketing language.
- Every figure identical wherever it appears: report, AIF and CT600.
- Anything the evidence doesn't support is left out, not hedged.
- The same terms throughout: **qualifying expenditure, baseline, advance, uncertainty, competent professional, merged scheme, ERIS**.

BD TIP

Use the same terms when you talk to clients and their accountants. It keeps the story consistent from the first call to the filed claim, and it shows clients we work to HMRC's definitions, not our own.

C12 Deadlines and claim timing

An R&D claim is made in the company tax return (CT600), either the original return or an amended one. **We never rely on overpayment relief.**

Deadline	When	If missed
Claim notification	6 months after the end of the period of account (first-time and lapsed claimants)	No claim for that period
Additional Information Form	Ideally before the company's first CT600. Otherwise before an amended CT600 that makes the claim	HMRC removes the claim; file the AIF and amend the CT600 within the 2-year window
CT600 filing	12 months after the end of the accounting period	Late-filing penalties; the claim can still go in until the window closes
Claim or amendment	Amend the CT600 within 12 months of the filing date, so 2 years after the period end	No claim for that period

Live examples (as at January 2027)

Year ended	Scheme	Last date to claim
31 January 2025	Legacy (only if exempt from notification, or notified)	31 January 2027
28 February 2025	Legacy (only if exempt from notification, or notified)	28 February 2027
31 March 2025	Merged	31 March 2027
31 December 2025	Merged	31 December 2027
31 March 2026	Merged	31 March 2028

TWO YEARS, BUT ONLY IF NOTIFIED

For a first-time claimant, the real deadline is usually the **six-month notification**, not the two-year claim window. A company with a 31 July 2026 year end that has never claimed must notify by **31 January 2027**. If it doesn't, it has no claim for that year, however long the CT600 window stays open.

Other timing points

- **Long periods:** an 18-month period of account is two accounting periods for tax. Each needs its own claim and the notification timing differs. Refer.
- **Short periods:** a company that changes its year end has a short period with its own deadlines.
- **Payment:** HMRC processes most claims within weeks, but checks can take months. Never promise a date.
- **Two claims at once:** a client can claim the current year and an earlier open year together, each with its own AIF.

ALWAYS ASK TWO QUESTIONS

What is your year end, and have you claimed R&D tax relief before? A lead whose notification or claim window closes in the next three months is urgent: flag it to the technical team straight away.

C13 HMRC compliance, enquiries and advance assurance

From 2022, HMRC's own estimates showed that a large share of SME claims contained error or fraud, much of it from low-quality advisers filing claims that didn't meet the definition. HMRC responded by raising its compliance activity sharply and introducing the notification and AIF requirements. Every claim we file must be able to stand up to a check.

What a compliance check looks like

1. HMRC writes to the company (and to us as agent) asking for information: often the technical narrative, cost breakdowns and time apportionment.
2. An officer reviews it, sometimes with an HMRC specialist, and may ask follow-up questions or request a meeting with the competent professional.
3. HMRC either accepts the claim, reduces it, or rejects it. A payable credit is usually held until the check ends.
4. If the claim was inaccurate, HMRC can charge penalties on the company: up to **30%** of the tax at stake for careless errors, **70%** for deliberate ones and **100%** for deliberate and concealed.

Pre-payment and fraud checks

Separately from enquiries, HMRC runs risk and fraud checks on claims before paying them. It may hold a payable credit while it verifies the company, its bank details, the agent and the basic facts of the claim, and may write asking for supporting information. These checks aren't a formal enquiry, but they can delay payment, sometimes for months, and can lead to one.

What protects a claim

Good records

Project documents, test results, timesheets or tool records made at the time, payroll by person, and supplier contracts.

A real competent professional

Someone at the client who can explain the baseline and uncertainty to an HMRC officer, in their own words.

Specific, consistent narrative

The notification, AIF, report and CT600 tell the same story with the same figures.

Honest exclusions

Routine work, overseas costs and non-R&D time left out, with the reasoning recorded.

Advance assurance

HMRC offers **advance assurance** for some small companies making their first claim, giving comfort that claims for the first periods will be accepted without further enquiry if the facts match. From **18 May 2026**, HMRC has also offered a **targeted advance assurance service** for SMEs on specific complex or high-risk areas, such as whether a project is R&D, overseas expenditure, who claims for contracted-out work, and the PAYE cap exemption. The technical team decides whether applying would help a client.

WATCH OUT

Never tell a client a claim "won't be checked" or is "HMRC-approved". Say what's true: our claims are built to HMRC's definitions, with the evidence an officer would expect to see. How we help with HMRC questions is set out in our terms of engagement.

PART D

BD playbook

Who to target, how to find them, what to ask on the first call, how to score a lead, how to hand over, and how to handle the objections you'll hear.

D1 Who to target

Profile	Why it often works	Likely scheme
Software, SaaS and AI companies with in-house engineering teams	Large qualifying staff costs; real technical problems at scale	Merged; ERIS if early-stage
VC-backed and grant-funded start-ups, university spin-outs	Loss-making with high R&D intensity	ERIS
Biotech, medtech, diagnostics, pharma	R&D is the business; clinical trials, assays, formulation	ERIS or merged
Engineering design firms and bespoke machine builders	Prototypes, test rigs, novel mechanisms (watch contracted-out rules)	Merged
Manufacturers improving processes and materials	Process development, yield, new materials, automation	Merged
Chemicals, coatings, food and drink producers	Formulation and reformulation, shelf life, scale-up	Merged
Companies that won Innovate UK or similar grants	A technical assessor has already judged the work novel	Merged or ERIS
Companies with a year end in the last six months that have never claimed	The notification window is still open	Urgent
Companies whose claims were done by low-cost or volume advisers	Claims may be under-evidenced or wrong; a review protects them	Any

INTRODUCERS

University tech-transfer offices, incubators, accelerators, VC portfolio teams and grant consultants see the right companies early, and our accounting clients are a natural first source. Be wary of relying on accountants as introducers: most already have their own R&D connections. They're still useful for the year end, payroll and claim history once a client has engaged us.

WHO NOT TO CHASE

Businesses whose "innovation" is commercial or creative; companies whose only technical work is done by an overseas team; and anyone asking us to put a claim in "because others do". If it doesn't meet the definition, we don't file it.

D2 Finding and researching leads

A&C generates most of our leads, and they're on LeadDesk ready to work. If you have a sector you know well and want to find your own leads there, that's welcome.

Industries we target

- Software, SaaS and IT services
 - AI, machine learning and data
 - Engineering design and bespoke machinery
 - Manufacturing and process engineering
 - Architecture and construction technology
- Life sciences, biotech, medtech and pharma
 - Chemicals, coatings and materials
 - Food and drink production
 - Agritech and environmental technology
 - Games and creative technology

Signals worth looking for

On Companies House

- Accounts year end: gives the notification and claim deadlines
- Losses and share issues: possible ERIS candidate
- Group structure: SME status and connected parties
- Incorporation date: young companies are often first-time claimants
- An "R&D" or "intangible assets" note in full accounts

Elsewhere

- Job adverts for engineers, data scientists and researchers
- Sales Navigator: CTOs, heads of engineering, R&D managers
- Innovate UK and UKRI funded-project data
- Patent applications (Intellectual Property Office)
- Funding announcements, accelerators, trade press, conference speakers

WHO TO SPEAK TO

The **finance director or founder** decides to engage; the **CTO or technical lead** tells you whether there's R&D. Get both on side. A CFO who likes the idea but can't name a technical problem is a weak lead; a CTO who lights up describing what didn't work is a strong one.

OUTBOUND CALLING

Every lead on LeadDesk has already been screened. If you bring in your own leads, check them against the TPS and CTPS registers before calling, and follow our data protection procedures for anything you collect.

USING AI TO RESEARCH LEADS

You can ask an AI assistant to summarise a company's website or filings. Always check the actual Companies House record yourself, and never put client data into a tool that isn't approved for it.

D3 The discovery call

Thirteen questions that give the technical team almost everything it needs to decide whether to proceed. Write the answers down word for word.

#	Ask	Why we ask
1	Is the company part of a group, or owned by another company?	SME status; connected parties
2	What's your year end, and when was the last return filed?	Scheme, notification and claim deadlines
3	Have you claimed R&D tax relief before? When, and who prepared it?	Notification; quality of past claims
4	What does the company make or do, and what's technically hard about it?	The field; first sense of the R&D
5	What was the hardest technical problem you worked on this year? What didn't work first time?	Uncertainty and iteration
6	Why couldn't you buy a solution, or follow a known method?	The baseline and the advance
7	Who did the technical work? Roughly how many people, in what roles?	Staff costs; the competent professional
8	Do you use contractors, agencies or outsourcing firms? Where are they based?	EPWs, subcontractors, overseas rule
9	Do you do technical work for clients, or pay others to do it for you?	Contracted-out rules: who claims
10	How are directors paid: salary, dividends or both?	Staff costs; PAYE cap
11	Is the company profitable or loss-making at the moment?	Merged or ERIS; cash or tax reduction
12	Have you had any grants, such as Innovate UK?	Evidence; grant interaction
13	Have you bought equipment or fitted out premises recently?	R&D allowances; capital allowances cross-sell

BD TIP

Questions 2 and 3 come first, before the interesting technical conversation. If the period is already lost, you'll know in a minute and can move the conversation to the current year.

SAY IT LIKE THIS

"Before we get into the technical side, can I check two dates? It's the dates, more than the science, that decide whether a claim can still be made."

D4 Scoring a lead

GREEN: STRONG LEAD

- In-house technical staff on payroll. Even one person can be enough.
- A clear technical problem with an identifiable baseline, iteration and failure.
- A named technical lead who can explain it.
- Either a regular claimant, or a first-time claimant whose notification window is still open.
- Development done in the UK; no complex contracts with customers.

AMBER: REFER FOR TECHNICAL REVIEW

- Software or AI work where the advance isn't yet clear.
- Work done for clients, or R&D paid for by clients (B6).
- Significant contractors, outsourcing or overseas staff (B7).
- Group companies, foreign parents, or possible ERS where the 30% test is borderline.
- Previous claims by another adviser, or a past HMRC enquiry.
- Legacy periods, long or short periods, or deadlines in the next three months.
- Directors paid mostly by dividends; small payroll.

RED: NO CLAIM, OR NO VALUE

- Notification required and missed; or the two-year window closed.
- Only commercial, creative, aesthetic or business uncertainty.
- All the technical work done by an overseas team or a supplier that owns the problem.
- Company in liquidation or administration.
- Client wants a claim that the facts don't support.

Size and priority

Indicator	What it tells you
Technical headcount	Even one technical person on payroll can support a claim; more people usually means a bigger one
Loss-making and R&D heavy	ERS may nearly double the benefit
Deadline in under three months	Highest priority: refer today
Multiple open years	Two claims at once

D5 From cold call to client

A client is usually won in four steps. The technical call is where the decision gets made, so a good handover before it matters.

1	Cold call Qualify the lead with the D3 questions and book a technical call.	BD
2	Technical call You and one of our technical team speak to the client's technical lead and decision maker.	BD + Technical
3	LOE signed You issue the letter of engagement and see it through to signature.	BD
4	Onboarding and technical interview AML, documents, the technical interview and the claim (C1).	Technical

Your note before the technical call

Include	Example
Company and group	"Owned 100% by the two founders, no group"
Year end and claim history	"31 July; never claimed; notification due 31 Jan 2027"
The technical story in their words	"Couldn't get the model to work on reflective packaging; tried three approaches"
People	"CTO plus 4 devs on payroll, 1 agency ML engineer"
Contracts, contractors and overseas	"Dev agency in Poland on two projects"
Tax position	"Loss-making, raised seed round"
Contacts	Decision maker, technical lead, senior officer
Red flags spotted	Anything from B11 or D4

Preparing the client for the technical call and interview

- Ask for the **technical lead** to attend, not just the founder or finance director.
- Tell them the technical interview after the LOE takes about an hour per main project, and it's a conversation, not a test.
- Ask them to think about what existed at the start, what they tried, what failed, and when it worked.
- Ask for a list of projects and the people on each beforehand.
- Explain that the technical team may conclude some projects don't qualify, and that this protects the claim.

SAY IT LIKE THIS

"Our technical team will talk to your lead engineer about the problems you were trying to solve. They're looking for what made it hard, what you tried, and what you learned. It's the same story you'd tell another engineer."

WATCH OUT

Don't coach the client on what to say, and never suggest wording to make work sound like R&D. The competent professional must describe their own work honestly, because they may have to explain it to HMRC.

D6 Talking to clients

WHAT WE DO

"If your team spent time solving technical problems that weren't straightforward, the government gives back part of what you spent on that work. We identify which projects qualify under HMRC's definition, work out the qualifying costs, and prepare the claim and the evidence behind it."

WHY IT'S OFTEN MISSED

"Most businesses think R&D means labs and white coats. It doesn't: it's about solving technical uncertainty. But the rules are strict, and the forms and deadlines have tightened, so it pays to have it done properly."

IS IT LEGITIMATE?

"It's a government incentive set out in the Corporation Tax Act, with a definition published by the Department for Science, Innovation and Technology. We apply that definition to your work, and we only claim what meets it."

WHAT YOU GET

"A claim built on your actual projects and costs, with a report explaining why each project qualifies, the form HMRC needs before the return, and the figures for the return itself."

DO

- Qualify every lead with the D3 questions.
- Check the year end and claim history first.
- Flag deadlines the day you spot them.
- Use HMRC's terms: baseline, advance, uncertainty.
- Refer amber leads rather than guessing.
- Write down what the client tells you.
- Be honest when something doesn't qualify.

DON'T

- Promise a benefit amount, a payment or a date.
- Call a project qualifying before the technical review.
- Say "guaranteed", "HMRC-approved" or "risk-free".
- Suggest every employee or every project counts.
- Coach the client on what to say.
- Quote a percentage of turnover or costs as "typical".
- Ever suggest changing, backdating or inventing a record.

BD TIP

Clients have heard of R&D "boiler rooms". Saying "we'll tell you if it doesn't qualify" is one of the most persuasive things you can say, and it's true.

D7 Handling objections

They say	You say
"We don't do R&D. We're not scientists."	"For tax, R&D means solving technical problems that weren't straightforward for someone skilled in your field. Software, engineering and manufacturing companies claim all the time. Tell me about the hardest problem you solved last year."
"Our accountant does it."	"Great, we often work alongside accountants. Some prefer to leave the technical report and AIF to a specialist, given how closely HMRC now checks claims. Happy to speak to them."
"We heard HMRC is cracking down. Isn't it risky?"	"HMRC is cracking down on poor claims, which is why we only claim what meets the definition and back it with evidence. Genuine claims are what the relief is for."
"We used another firm and got a bigger figure."	"Bigger isn't always better if it doesn't stand up. We'd be happy to review the past claims. If they're sound, you'll have peace of mind."
"We're loss-making, so there's no point."	"Loss-making companies can get cash, and R&D-intensive ones can get the most valuable relief of all. It's often the best time to claim."
"It's too late for last year."	"It depends on two dates: the year end and whether you've claimed before. Let's check, and if last year's gone, we'll make sure this year isn't."
"The project failed."	"That's often good evidence. A genuine attempt to resolve uncertainty qualifies, whether or not it worked."
"We had a grant for it."	"Grant-funded work can still qualify under the current scheme. We'll look at how the grant affects the claim."
"It's mostly done by our team abroad."	"The rules now restrict overseas contractors, but your UK staff time still counts. Let's look at who did what."
"We don't have timesheets."	"Most clients don't. We can use project tools, code history and a reasoned estimate from your technical lead. Going forward, we'll suggest simple records."
"How much will we get?"	"It depends on your costs and tax position, so I won't guess. Once we've looked at the projects and the payroll, the technical team will give you a figure."
"What does it cost?"	Quote fees only from our current terms of engagement, and never put a figure on a claim before the analysis.

D8 Professional standards

R&D advice has a reputation problem. HMRC, the professional bodies and the press have all criticised advisers who filed weak or fabricated claims for a cut of the refund. We're regulated by the Institute of Financial Accountants, and how we win work matters as much as how we do it.

Our position

- We claim only what meets the DSIT definition, on the evidence.
- We tell clients when projects don't qualify.
- The client's senior officer reviews and approves every claim.
- We're named on the AIF for every claim we prepare.
- We keep the evidence behind every figure.

What we never do

- File a claim the client hasn't seen.
- Write narrative the competent professional wouldn't recognise.
- Include costs we can't trace to a person, project or invoice.
- Pressure a client with false deadlines or "use it or lose it" claims that aren't true.
- Promise an outcome from HMRC.

HMRC's standard for agents

HMRC expects tax agents to act with integrity, act professionally and act lawfully, and it can refuse to deal with agents who don't. It also has powers to penalise those who enable abusive or careless claims. An adviser's reputation with HMRC follows every claim it files.

Responsibilities in a claim

Who	Responsible for
The client	The accuracy of the facts and figures, and the claim itself. The senior officer confirms it.
A&C	Applying the rules correctly, the quality of the report and AIF, and filing on time where we're engaged to.
BD	Accurate information gathering, honest expectations, and flagging deadlines and red flags.

BD TIP

Clients who've been burned by a poor claim are some of our best leads. They know the risks, they value evidence, and they stay with an adviser they trust.

REFERENCE

Glossary, quick reference and knowledge check

The words you'll hear, one page to keep on your desk, and twenty questions to test yourself.

Glossary

Additional Information Form (AIF)	The online form, mandatory since 8 August 2023, describing the projects and costs. Filed before the CT600 that makes the claim, ideally the first one.
Advance	An increase in overall knowledge or capability in a field of science or technology, not just the company's own.
Advance assurance	HMRC's service giving comfort in advance on a first claim, or on specific high-risk areas (from May 2026).
Baseline	The knowledge and capability that existed in the field when the project started.
CIRD	HMRC's Corporate Intangibles Research and Development Manual. R&D guidance starts at CIRD80000; the DSIT Guidelines are at CIRD81910.
Claim notification	Advance notice to HMRC of an intended claim, required for first-time and lapsed claimants within six months of the period end.
Competent professional	Someone knowledgeable and experienced in the relevant field, whose judgement decides whether an advance or uncertainty exists.
Connected parties	Companies under common control. Payments between them follow special rules.
Consumables	Materials used up or transformed in the R&D, and the R&D share of water, fuel and power.
Contracted-out R&D	R&D a company pays another business to do, where it intended or contemplated R&D. The customer claims.
CT600	The company tax return, in which the claim is made.
DSIT Guidelines	The Guidelines on the Meaning of Research and Development for Tax Purposes, which define R&D. Previously issued by BEIS.
ERIS	Enhanced R&D Intensive Support: 186% deduction and 14.5% payable credit for loss-making SMEs with at least 30% R&D intensity.
Expenditure credit	The merged scheme's 20% taxable credit on qualifying expenditure.

Externally provided worker (EPW)	A worker supplied by a staff provider who works under the company's control. Usually 65% qualifies.
Going concern	A company expected to keep trading. Required for a payable credit.
Intensity ratio	Qualifying R&D expenditure divided by total relevant expenditure, including connected companies. ERIS needs 30%.
Legacy schemes	The SME scheme and RDEC, for periods beginning before 1 April 2024.
Merged scheme	The single R&D expenditure credit scheme for periods beginning on or after 1 April 2024.
Notional tax	The deduction at step 2 of the waterfall reflecting tax on the credit. 19% for a loss-making company.
Overseas restriction	From April 2024, subcontractor and EPW costs only qualify for R&D done in the UK, with limited exceptions.
PAYE/NIC cap	Payable credits limited to £20,000 plus 300% of PAYE and NIC liabilities, unless an exemption applies.
Period of account	The period the company's accounts cover. An accounting period for tax can't exceed 12 months, so a longer period of account is split.
Project	A defined piece of work with an aim. R&D is the part seeking an advance by resolving uncertainty.
Qualifying expenditure	The costs in the qualifying categories attributable to R&D.
Qualifying indirect activities (QIAs)	Supporting activities that count as R&D under the Guidelines, such as R&D-related admin and information services.
R&D allowances	100% capital allowance for capital spending on R&D facilities and equipment (CAA 2001 Part 6).
RDEC	R&D expenditure credit. The large company scheme before April 2024; the model for the merged scheme.
Senior officer	The person at the company named on the AIF as responsible for the claim.
SME	Fewer than 500 staff, and turnover up to €100m or balance sheet up to €86m, including linked and partner enterprises.
Staff costs	Salaries, wages, employer NIC, employer pension and reimbursed expenses for staff working on R&D. Not dividends or benefits.
Subcontractor	A business paid to carry out part of the R&D. Usually 65% qualifies if unconnected.
Surrenderable loss	Under ERIS, the lower of the trading loss and 186% of qualifying expenditure, which can be swapped for a 14.5% credit.
Total relevant expenditure	The denominator of the ERIS intensity ratio: broadly the company's costs, adjusted as the rules require.
Uncertainty	Scientific or technological uncertainty: whether something is possible or feasible, or how to achieve it, that a competent professional couldn't readily resolve.
Waterfall	HMRC's order for using the credit: tax for the period, notional tax, the PAYE cap, other periods, group surrender, other HMRC debts, then cash.

Quick reference card

THE DEFINITION

A project seeking an advance in science or technology, through resolving uncertainty a competent professional couldn't readily resolve

Advance in the field, not the company · Science or technology, not arts, social science or commercial · Failure still counts

SCHEMES (PERIODS FROM 1 APRIL 2024)

Merged	20% credit, taxable: about 15% net, 16.2% loss-making
ERIS	186% deduction; 14.5% credit: up to about 27%
ERIS test	Loss-making SME, intensity at least 30%

QUALIFYING COSTS

Staff	Salary, employer NIC, pension (not dividends or benefits)
EPWs, subcontractors	65% if unconnected; UK only
Other	Consumables, software, data, cloud, trial volunteers
Never	Capital, rent, land, patents, marketing

DEADLINES

Notification	6 months after the period end (first-time and lapsed)
AIF	Before the CT600 that claims (ideally the first)
Claim	2 years after the period end
Never	Rely on overpayment relief

KEY DATES

1 Apr 2023	Notification; data, cloud, maths; SME rates cut
8 Aug 2023	AIF mandatory
1 Apr 2024	Merged scheme, ERIS, overseas and contracted-out rules
18 May 2026	Targeted advance assurance

SIX MUST-ASK QUESTIONS

- Part of a group?
- Year end? Claimed before?
- Hardest technical problem? What failed?
- Who did the work, on payroll?
- Contractors, outsourcing, overseas, client work?
- Profitable or loss-making?

REFER BEFORE PROMISING

- Deadline within three months
- Work for clients, or paid for by clients
- Overseas contractors or staff
- Groups, foreign parents, borderline ERIS
- Software and AI where the advance is unclear
- Past claims by another adviser; HMRC enquiries

NEVER SAY

- "Guaranteed" or "HMRC-approved"
- A benefit figure or date before the analysis
- "Everyone on the team counts"
- "It won't be checked"

Knowledge check

Try these without looking back. The answers are on the following page.

1. What four elements make up the definition of R&D for tax purposes?
2. A company builds its first mobile app using a standard framework. It was hard for them. Is it R&D?
3. Which guidelines define R&D for tax purposes, and where does HMRC reproduce them?
4. What is the merged scheme credit rate, and roughly what is it worth to a company paying 25% tax?
5. What three conditions must a company meet for ERIS?
6. What is the maximum benefit of ERIS per £100 of qualifying expenditure, and how is it worked out?
7. Which scheme applies to a year ended 31 January 2025, and who can still claim for it?
8. Name three costs that never qualify.
9. Do dividends paid to a director count as staff costs?
10. What percentage of an unconnected subcontractor's fee usually qualifies?
11. A UK company pays a development team in Ukraine through an outsourcing firm because it's cheaper. Do those costs qualify?
12. Who claims under the merged scheme when a customer contracts a software house to solve a technical problem?
13. A company has never claimed. Its year ended 31 July 2026. When must it notify HMRC?
14. What happens if a CT600 with an R&D claim is filed without an AIF?
15. How long after the end of an accounting period can a claim be made?
16. What is the PAYE/NIC cap?
17. A project failed to achieve its aim. Can it still qualify?
18. Which two people should you get on side at a prospect, and why?
19. Which two questions should you ask before discussing the technical work?
20. Name three red flags that mean you should refer before promising anything.

Answers

1. A project; seeking an advance in science or technology; through the resolution of scientific or technological uncertainty; judged by a competent professional.
2. Almost certainly not. It's new to the company, not an advance in the field, and a competent professional could readily do it.
3. The DSIT Guidelines on the Meaning of Research and Development for Tax Purposes (2023), reproduced at CIRD81910.
4. 20%, taxable. About 15% net (20% less 25% tax on the credit).
5. It must be an SME, loss-making, and spend at least 30% of total relevant expenditure on R&D (with a one-year grace period).
6. About £27: a 186% deduction (£186), surrendered for a 14.5% credit (£26.97), if the loss is big enough and the PAYE cap doesn't bite.
7. The legacy SME or RDEC scheme, because the period began before 1 April 2024. The window closes 31 January 2027, and only a company that was exempt from notification, or notified on time, can still claim.
8. Any three of: capital equipment, rent and rates, land, dividends, benefits in kind, patent and legal fees, marketing, production costs, depreciation.
9. No. Only salary through payroll, employer NIC, employer pension and reimbursed expenses.
10. 65%.
11. No. Cost isn't one of the exceptions to the overseas restriction.
12. Usually the customer, because it decided to undertake the R&D and contracted it out. The software house can't claim the same work.
13. By 31 January 2027, six months after the period end. If it doesn't, it has no claim for that year.
14. HMRC removes the R&D claim. The AIF can still be filed and the CT600 amended to make the claim, within two years of the year end.
15. Two years: 12 months after the filing date, which is itself 12 months after the period end.
16. Payable credits are capped at £20,000 plus 300% of the company's PAYE and NIC liabilities, unless the IP exemption applies.
17. Yes, if it was a genuine attempt to resolve scientific or technological uncertainty.
18. The finance director or founder, who decides to engage, and the technical lead, who can explain the R&D.
19. What's your year end? Have you claimed R&D tax relief before?
20. Any three of: deadline within three months; work for clients; overseas contractors; groups or foreign parents; borderline ERIS; unclear software or AI advance; past claims by another adviser; HMRC enquiry; directors paid by dividends; legacy or long periods.

Sources and further reading

Legislation

Corporation Tax Act 2009: Part 3 Chapter 6A (R&D expenditure credit, merged scheme) and Part 13 (ERIS and legacy SME relief), as amended by Finance Act 2024. legislation.gov.uk/ukpga/2009/4

Income Tax Act 2007, s.1006 (meaning of research and development). Capital Allowances Act 2001, Part 6 (research and development allowances).

Definition

Department for Science, Innovation and Technology, Guidelines on the Meaning of Research and Development for Tax Purposes. Reproduced in HMRC's manual at CIRD81910: gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81910

HMRC guidance

Corporate Intangibles Research and Development Manual, CIRD80000 onwards: gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual

Guidelines for Compliance GfC3: help with common errors in R&D tax relief claims. Claim notification and Additional Information Form guidance: gov.uk/guidance/research-and-development-rd-tax-relief

Advance assurance and the targeted advance assurance service for SMEs, launched 18 May 2026.

Rates and recent changes

Finance Act 2024: merged scheme, ERIS, overseas and contracted-out rules for periods beginning on or after 1 April 2024. Finance (No. 2) Act 2023: 1 April 2023 rate changes, data and cloud costs, claim notification and AIF. Autumn Budget 2025: targeted advance assurance pilot; merged scheme and ERIS unchanged.

Finding leads and records

Companies House: find-and-update.company-information.service.gov.uk. UKRI Gateway to Research: gtr.ukri.org. Intellectual Property Office patent search. TPS and CTPS registers, for any leads you source yourself.

CORRECT AT JANUARY 2027

This manual is for internal training only and isn't advice to any client. Rates and rules change, usually at Budgets. Check any rate, date or deadline with the technical team before quoting it.



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