

# Harris&co

Chartered Accountants and Business Advisors

## R & D TAX CREDIT CASE STUDY

A major motor manufacturer approached a race team, ABC, to take one of their production models and develop a high performance version of it.

The manufacturer planned to race it with ABC, and once its race pedigree was proved, to then produce a road going version of the car.

ABC approached us to help them with developing a financial model for the project and the funding needed. We quickly identified that there would be scope for an R&D Tax Credit claim - something that ABC had not considered.

There were two main challenges in the claim, identifying:

1. The consumables used in the R&D activities
2. The time that the engineers and designers spent on the R&D

ABC already had a functioning parts system and it only needed minor alterations to enable it to identify the consumables in the R&D.

The time recording was an entirely new concept to ABC and took a major re-education of the engineers and designers.

The R&D resulted in a claim for a tax refund of £252,000 for work on the transmission, engine and suspension.

HMRC came out to the factory, audited the claim and arranged the refund within 28 days. The speed of clearance of the claim was primarily due to the clear backup data for:

1. The scientific and technological advances achieved
2. The costs incurred in the R&D activities

The tax refund was a critical piece of funding to enable the project to go to the next stage.