

# Research & Development Tax Credit Review 2019

Public Consultation

April 2019



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# 1 Introduction

The Research and Development (R&D) Tax Credit was introduced in the Finance Act 2004. The central purpose of the R&D Tax Credit is to encourage companies to undertake high-value-add R&D activity in Ireland, thereby supporting jobs and investment here.

The principal benefit of the R&D Tax Credit is that it reduces the costs of undertaking R&D in Ireland by 25%. For every €4 spent on ‘qualifying’ R&D, a tax credit of €1 will be provided to the company.

## **Research and Development Tax Credit Review 2019**

The Department of Finance’s October 2014 “Report on Tax Expenditures” set out new Guidelines for best practice in ex ante and ex post evaluation of tax expenditures.

This evaluation of the R&D tax credit is part of a series of rolling tax expenditure evaluations that are conducted by the Department, in accordance with these Guidelines for Tax Expenditure Evaluation.

For large tax expenditures, such as the R&D tax credit, reviews are performed every 3 years in order to improve the evidence base underpinning tax policy and to determine if tax relief schemes remain fit for purpose. Consideration is given to whether or not the expenditure is still relevant or whether the objectives of the scheme are still valid.

There has already been two major appraisals of the R&D Tax Credit, a comprehensive review carried out in 2013 which included a report by external consultants and a more focused review carried out in 2016.

The purpose of this public consultation is to receive stakeholder input that may be used in the course of the 2019 review.

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## 2 Consultation Period

The consultation period will run from 29 April 2019 to 07 June 2019. Any submissions received after this date may not be considered.

### How to Respond

The preferred means of response is by email to: [RDconsultation2019@finance.gov.ie](mailto:RDconsultation2019@finance.gov.ie)

Alternatively, you may respond by post to:

Research & Development Tax Credit – Public Consultation,  
Tax Division,  
Department of Finance,  
Government Buildings,  
Upper Merrion Street,  
Dublin 2.  
D02 R583

Please include contact details if you are responding by post.

When responding, please indicate whether you are contributing to the consultation process as a professional adviser, representative body, business representative or member of the public.

### Freedom of Information

Responses to this consultation are subject to the provisions of the Freedom of Information Acts. Parties should also note that responses to the consultation may be published on the website of the Department of Finance.

### Meetings with key stakeholders

The Department of Finance and Revenue may also invite key stakeholders to meet with them, including representative bodies, tax professionals and other interested groups or individuals.

### After the Consultation

Tax policy issues from this public consultation will form part of the Minister for Finance's considerations in relation to the applicable legislation.

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## 3 Consultation Questions

In responding to this consultation you are invited to:

- Give your views on the specific questions set out below. You don't have to answer every question – you can choose to answer any or all of the questions.
- Provide details of any alternative approaches or options you feel might be beneficial in dealing with the issues being addressed.
- Provide details of relevant issues not covered in this paper.
- Where appropriate, provide some analysis of the Exchequer cost/yield of your preferred option.
- Comment generally on the direction you would like to see tax policy in this area develop.

Your views are important as they may help influence the taxation treatment and policy to be applied in the future.

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## 4 Questions on the Research and Development (R&D) Tax Credit

### Sec 766 – Tax credit for research and development expenditure

- 1 What are the key considerations to be taken into account when deciding whether to base your R&D activity in Ireland?
- 2 In the absence of the R&D tax credit, what proportion of your R&D would take place in Ireland?
- 3 As R&D is project driven the annual cost to the exchequer can fluctuate quite significantly. What steps could be taken to improve advance forecasting of claims for Exchequer purposes?

### Additionality

The purpose of the R&D tax credit is to promote jobs and investment.

- 4 In your experience, has your decision to conduct R&D in Ireland resulted in you recruiting additional staff, interns or apprentices?
- 5 The R&D credit allows for limited outsourcing of R&D. Are the limits appropriate? What is the impact of these outsourcing provisions on third level institutions and/or smaller firms?

### SMEs and the R&D Tax Credit

- 6 What are the factors that are relevant to the relatively low uptake of the current credit by SMEs?
- 7 Are there ways of improving the current credit system to make it more attractive to SMEs?
- 8 Having regard to overall Exchequer cost, what measures could be taken to amend the current relief to improve supports for SMEs carrying out R&D?



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