Peers hear from experts on R&D relief

Briefings

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Representatives from ATT, CIOT and other professional bodies gave evidence to a House of Lords committee on research and development tax reliefs on Monday 31 October. The committee, chaired by chartered tax adviser Lord Leigh of Hurley, is looking into the R&D reforms in draft Finance Bill 2022-23. They are expected to produce a report in December.

David O'Keeffe, an R&D specialist and member of CIOT's Corporate Taxes Committee, told the peers that the compliance process for R&D relief is ineffective. Too many claims are getting through that shouldn't, which is tainting the system, he said.

He suggested that some kind of triage system, building on HMRC's risk assessment process and looking at both taxpayers and their advisers, could be effective in identifying incorrect claims while not holding up genuine ones. But he warned against a 'draconian clampdown' which would defeat the purpose of the relief.

Responding to Lord Turnbull, a former Treasury Permanent Secretary, who had pointed out that the amount being paid out in R&D credits had more than trebled in seven years, O'Keeffe suggested that revised ONS methodology could be a factor, in addition to claims being allowed through that shouldn't be.

Technical Officer Emma Rawson gave evidence for ATT. She told the committee that ATT has serious concerns about the proposal to require pre-notification of R&D claims. It won't be enough to put off the minority of agents who use high pressure sales techniques – they are likely to change their approach to meet pre-notification deadlines, she thought. On the other hand, smaller and newer businesses are the most likely to lose out.

Rawson suggested there should be some way for regular tax advisers to report where they see inappropriate promotional materials or become aware of dubious practices. Additionally, she explained that the current situation puts professional body members in a difficult position. They abide by PCRT. There are agents out there who don’t. Clients may have engaged an R&D specialist who prepares an inappropriate claim, then asks their regular agent to put in a tax return. This puts the member in an awkward position.

You can read a liveblog of the evidence session at tax.org.uk/311022_rd_relief

Witnesses at the Lords hearing, including David O’Keeffe (front right) and Emma Rawson (back right)

Image

