Lords’ call for pause in R&D changes welcomed

Briefings



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ATT and CIOT have welcomed a House of Lords’ report expressing concern over proposed changes to the R&D tax relief rules, and calling for them to be delayed while work is undertaken on the wider future of the regime.

The inquiry of the Lords Economic Affairs Finance Bill Sub-Committee focused on proposed changes to the reliefs, including a reduction in the rate of relief available under the small and medium sized enterprise (SME) regime, and additional administrative requirements. Evidence provided by CIOT, ATT and other professional bodies was at the heart of the Lords’ case, with CIOT’s evidence cited 39 times and ATT’s 19 times.

The sub-committee’s chair, Lord Leigh of Hurley, a Chartered Tax Adviser, said: ‘The government should use its review of R&D tax relief as an opportunity to look beyond the initial measures within the draft Bill and hold an open-ended consultation on how the scheme can be improved. This will be integral to future proofing the UK’s

competitiveness as a hub of R&D activity.' (See the opinion piece by Lord Leigh of Hurley on page 10 of this issue.)

The sub-committee called on the government to drop its proposal to introduce advance notifications for R&D tax relief applications, describing the requirement as 'uniquely onerous' on claimants. It noted CIOT's warning that it would prevent some genuine claimants from accessing the relief, while not necessarily leading to a significant reduction in abuse. It also noted ATT's view that the proposal was simply 'introducing more hurdles for genuine claimants without getting to the root cause and tackling the abuse'.

David O'Keeffe, CIOT spokesperson on R&D tax relief, said: 'This is an impressive report. The Lords sub-committee has carried out a thorough inquiry into the UK's R&D tax credits system, taking evidence from a wide range of witnesses and makes some sensible recommendations which the government should heed.'

Senga Prior, chair of ATT's Technical Steering Group, said: 'We share concerns over fraud and abuse of the R&D relief schemes and strongly support efforts to crack down on such abuse of the tax system and improve compliance. However, we do not consider that the government's recent proposals are the best way to achieve this.'

She said the best approach to tackle abuse of R&D relief 'is to do so head on by targeting the minority of advisers behind incorrect or spurious R&D claims. This will prove more effective than simply reducing the relief available to genuine claimants or making it harder for them to claim.'