

Tax alert

Research and Development tax credit – approaching deadline for filing of 31 December 2008 claims

Following changes in last year's Finance Act which have effect for accounting periods commencing on or after 1 January 2009, the R&D tax credit is now available for offset (over 3 years) against payroll tax liabilities of a company; it is not necessary that the company has a corporate tax liability to absorb the credit. This is a very welcome change and applies to accounting periods commencing on or after 1 January 2009.

A further change in the legislation is that R&D claims now need to be made within 12 months of the year end, as opposed to the normal four year time limit. For companies with a 31 December 2008 year end, this means that **all claims for that year must be made by 31 December 2009**.

R&D is not just about white coats. There are a wide range of activities that can qualify for the tax credit. In our experience, there are many companies entitled to the R&D tax credit that have not made a claim to date. For those companies, it is particularly important that the entitlement to the relief be reviewed at the earliest opportunity in order to avoid any further loss of available credits.

For many companies, the 25% tax credit (plus usual corporate tax deduction) means that €100,000 spent on R&D has a net cost of €62,500. Given the significance of the tax credit, we recommend that you consult your usual contact in advance of 31 December to ensure that appropriate claims are filed on time.

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