



Research and Development (R&D) tax relief is often not thought of by construction companies. However, many of the activities undertaken in both the design and on-site work could qualify as R&D and lead to cash savings.

Working in construction often requires you to be creative and innovative when faced with certain problems, to arrive at a solution that is both effective and cost efficient. All too often businesses undertaking such work do not consider that they may be eligible for R&D tax relief. Consequently the significant benefits go unclaimed.

Benefits

For small and medium sized businesses (SMEs) this takes the form of an additional tax deduction calculated as 130% of qualifying costs and provides an effective cash tax benefit of c25% for profitable companies. For loss making companies, a cash credit of up to 33.35% is available.

For larger companies (over 500 employees and either €100m turnover or €86m gross balance sheet) the benefit is reduced, but is recognised above the line, i.e. as an increase to operating profit. The effective cash tax benefit is 9.72% of the spend. For loss making companies, the 9.72% is available as a cash credit.

Capital spend on R&D should also not be overlooked as there is an immediate deduction available for capital R&D expenditure. This gives a significant cash-flow benefit when compared to other allowances where, at best, the relief is given over more than 10 years, and in many cases, not at all.

Qualifying Costs

You can claim relief on costs that have been expensed through the Profit & Loss account and in certain circumstances you can also claim expenditure capitalised as intangible assets). The main areas of costs that can be claimed are:

- Staff costs (gross pay, employer's NI, employer's pension contributions and certain reimbursed expenses) of employees directly and actively involved in the R&D and also where undertaking certain supporting activities.
- Agency workers.
- Subcontractors.
- Software license costs.
- Consumable items (including a proportion of heat, light and power).

Construction Industry

Understanding your Industry

R&D in construction generally features whenever there is creativity required or problems to be solved, and is found in both the design phase and in work on site. Examples of activities that could qualify include:

Design

- Working with listed buildings to deliver the improvements required but keeping traditional features.
- Creating or experimenting with new materials.
- Coming up with new ways to implement energy saving techniques.
- Integrating new technology into buildings.
- Using science or technology to improve user experience in modern buildings.
- Modifying existing components and fittings into bespoke projects.
- Development or adaptation of tools and materials to improve efficiency.
- Identification of technological improvements to performance of products and processes.
- Prototype design and commissioning, including quality testing and final building.

- Innovative use of green or sustainable technology and methods.
- Advancements in structural techniques to aid construction on unusual ground conditions.
- Fabrication of components, integration and assembly of large systems that is technically challenging and not straightforward.
- Working out how all services can fit into an area that may not have the usual space (this problem can also appear on site if a specific issue prevents standard procedures being used).
- Introduction of environmentally friendly processes, such as significant reduction of waste.

On site

- Design and build of specialist machinery, or modification of existing equipment.
- Adaptation of existing construction methods or designs to overcome site challenges, such as restricted access.
- A seemingly straightforward project could be hiding a host of challenges forcing plans to change and on-the-job improvisations (e.g. erosion of materials due to gas or water vapour ventilation, or air conditioning units not operating effectively due to bespoke casings).