



Submitting claims for Research and Development tax relief

We're writing to you because you're a director of a company in either the nursing or care home sector.

Companies in these sectors are being targeted by agents or third parties, who encourage them to make Research & Development (R&D) tax relief claims.

These claims are often ineligible. So, we're asking company directors to review all R&D claims submitted on behalf of their company to make sure they're correct.

R&D is a Corporation Tax relief. Companies can claim it on the costs of activities that seek scientific or technological advances in their field as a whole, not just for their own business.

R&D can reduce a company's tax bill, or they may get a tax credit instead.

What to do if an agent contacts you

If an agent suggests your company may qualify for R&D tax relief, you need to ask yourself these questions:

- 1 Is the agent qualified to advise you?
- 2 Has your usual financial adviser ever given you advice on R&D tax relief?
- 3 Before you were contacted, did you know you were undertaking R&D?
- 4 Do you understand what you're claiming for, and do you know what may happen if the claim is later found to be incorrect?
- 5 Do you have evidence to support your claim?
- 6 Does any information you've received about R&D sound too good to be true?

To find out more about this, you should also go to GOV.UK and search 'claiming R&D'.

R&D tax relief in your sector

It's not impossible for nursing and care homes to meet the R&D criteria, but we think it's unlikely. This is because we've seen very little evidence of businesses in these sectors doing any qualifying R&D activity.

R&D3MM Care Home letter HMRC 07/23

We reject most R&D claims in these sectors, as they're usually based on:

- normal day-to-day business activities, such as individual patient meals or care plans
- observing behaviour
- digitising admin
- constructing sensory gardens

Nursing and care homes have received unsolicited phone calls from agents, advising that their general business activities qualify for R&D relief. Many have told us that after the first phone call, they only sent the agent copies of their accounts and PAYE records.

These claims are not for activities that try to achieve scientific or technological advances in a field. Companies often can't provide evidence to support them.

For more information, go to GOV.UK and search 'Claiming Research & Development tax reliefs'.

How R&D agents work

Some specialist R&D agents advise companies on a 'no win, no fee' basis, which suggests that there's little or no risk to you. But this is not the case.

These agents usually insist they receive any repayment due from an R&D claim. They then deduct a fee, usually 15 to 25%, before paying you the balance.

But just because we've paid a claim, it doesn't mean we've approved it. Our approach is to pay a claim first and check it afterwards. And because we're concerned about the number of incorrect claims we've had from nursing and care homes, we're checking many more of these claims than usual.

If a company claims R&D incorrectly, it must pay back the full amount claimed, including any agent fees. We can also charge interest and penalties.

It's also important to be aware that we never recommend or endorse specific accountants, agents, or advisers.

Extra support

If you have personal circumstances that may make it difficult for you to deal with us, please tell us. We'll help in whatever way we can. For more information about this, go to GOV.UK and search 'Get help from HMRC if you need extra support'.