

## Choosing a Specialist Research and Development (R&D) Tax Adviser

### Tips on how to choose the right specialist for your business

There are a range of firms in the market place offering to support companies in making R&D tax credit claims. This ranges from large audit and tax practices to local accountancy firms, and specialist R&D tax credit firms, which can also range from small operations to very large specialist firms. R&D tax advice is a very specialist area of work and it is important to choose your adviser carefully. Here are a few tips to help you.

Not all R&D advisers will be members of a tax related professional body, as anyone is able to refer to themselves as a specialist R&D tax adviser whether or not they are professionally qualified in tax. In contrast, your auditors (if you have one) must be suitably qualified and registered with the appropriate professional body which sets standards for their members' services.

There are some non-qualified advisers who may have the experience to help you, and some may have experience in R&D activities themselves and hold related scientific qualifications, but tax qualified R&D tax advisers have completed relevant qualifications and will be regulated by their professional body. Some firms specialising in R&D services have teams including members with both tax qualifications and R&D experience.

Whilst the adviser may be professionally qualified as an accountant or tax adviser you should consider whether they have the specialist expertise required to advise in this area. Many accountants and tax advisers do have this specialism alongside the other more general accountancy work they do but some may deal with R&D claims infrequently and bringing in a specialist firm with professionally qualified advisers may be more appropriate.

Professionally qualified advisers will have achieved a qualification comprising knowledge, work experience and ethics. They keep their skills and knowledge up to date through continuing professional development and make an annual statement to their professional body that they have done so. They are also required to hold Professional Indemnity Insurance which provides valuable protection for their clients. Advisers without professional qualifications may be qualified by experience and still meet high ethical standards but this will need to be checked directly with the firm as they are not accountable to a professional body. In general, those unqualified advisers who adhere to the same high professional standards as qualified colleagues are likely to provide a similar high standard of service and greater protection for their clients.

The Chartered Institute of Taxation and Association of Taxation Technicians have members qualified to provide R&D tax advice but some of the other accountancy professional bodies will also be able to help you find a specialist.

### What to look for in an R&D tax adviser

- Check that the firm has the expertise to provide this service - are they general practitioners or do they advertise themselves as specialists?
- What qualifications and experience do they have?
- You may want to check that they have experience of advising about R&D claims for clients in the same trade sector as your business?

- Quality interaction so that the adviser has an adequate understanding of the business. It is unlikely an adviser would obtain sufficient information just from an exchange of written information.
- Do they have a good reputation? Are you aware of other businesses who have used their services and can recommend the firm? Has your accountant worked with them previously? Can they provide testimonials or references from their clients?
- Does the firm's marketing look "too good to be true" and do they over promise what can be claimed? Some firms claim to be 'HMRC approved' or to use an 'HMRC approved methodology'. HMRC does not 'approve' R&D advisers or 'methodologies' so such marketing claims will be spurious.
- Firms with high standards will explain where a claim can or cannot be made, reducing potential problems with HMRC once the claim has been submitted.
- If they are a specialist firm acting alongside your usual accountant or in-house team, will they communicate with your accountant/in-house team and provide them with the information needed to complete your corporation tax returns promptly?
- Do they have professional indemnity insurance? (The Services Directive requires firms to disclose the existence of Professional Indemnity Insurance. Refer to CIOT and ATT guidance [here](#)).
- Are they a member of a professional body which adheres to the Professional Conduct in Relation to Taxation guidelines (PCRT) or qualified by experience but still adhering to the same principles? (PCRT sets out the principles and standards of behaviour that all CIOT and ATT members and students (together with those of a number of other professional bodies) must follow in their tax work and is 'endorsed' by HMRC)
- Are they meeting other regulatory requirements? R&D advisers must be registered for anti-money laundering (AML) supervision and if you are not asked for relevant client due diligence at the outset this might suggest the firm does not meet all of its regulatory requirements.
- Would you be able to contact or meet them as often as you wanted?
- Have they agreed to:
  - provide a copy of the R&D claim report to you for approval prior to submission
  - explain the R&D claim where you ask them to
  - make you aware of any areas of judgement or potential risks; and
  - provide any support needed to your accountant or in house team?
- Will you be asked to confirm in writing (including email) that you agree the claim (remember the accuracy of any tax filings remains the responsibility of the company so it is important you agree the claim and understand sufficient information to do so).
- What documentation will you be provided by the specialist in relation to the claim being submitted to HMRC?
- What after care service do they provide if HMRC enquire into the R&D tax credit claim?

## Making contact

- Invest time in finding the right adviser. Take a look at websites and make sure that a prospective R&D adviser offers services to your sector.
- Contact a few firms and arrange to meet with those on your shortlist. That way you should get a feel for how you would be able to work with them.
- Check the points mentioned in the previous section with the relevant firm.

- If you have previously made R&D claims or have had another accountant or specialist adviser acting for you let your prospective adviser know.
- Find out who in the firm would be doing your work. It may not be the adviser you meet on your first appointment.
- Check in advance whether the first meeting is free of charge; specific advice may be chargeable.

## Charges

- Establish the basis of fees and when they will be payable. Ask for an estimate.
- Check whether the fees are a fixed amount or based on a percentage of the tax reclaimed.
- How do the fees compare between the firms approached and are they commensurate with the quality of service you expect to be provided?
- Have you agreed that any tax refund will come to you. If not
  - will the fee be settled from that refund before the balance is paid to you?
  - what are the firm's arrangements for handling client money?
  - how long will they hold on to the balance?
- What are the arrangements on the fees if the claim is later turned down by HMRC?
- Make sure you understand whether the adviser is happy to be reappointed each year or expects you to "lock into" their services for a number of years. What are the conditions for terminating the contract before it formally ends?
- Remember that you may be able to minimise charges by doing some of the work yourself. Ask the adviser about this at the initial meeting.

## After appointing your R&D tax adviser

- You should receive a letter setting out what your adviser will (and will not) do for you and the terms of the engagement.
- You should check the engagement letter and ask the adviser to explain anything you do not understand. Make sure you understand the fee arrangements and the term for which you have appointed the agent as set out in the previous section.
- Very detailed knowledge of a business and the underlying accounts records is required to prepare an accurate R&D claim. Your adviser should therefore require a significant level of contact with you in order to prepare the claim including an analysis of your expenditure.
- Your R&D adviser should remain in regular contact throughout the process and keep you updated on progress. You should be aware of all communication your adviser has with HMRC on your behalf, if you have given them authority to.
- You should tell your adviser as soon as possible of changes in your business
- Your R&D tax adviser should prepare a report detailing the claim to be made and the basis on which this has been calculated. They should be willing to go through this with you and explain it and they should also draw to your attention any areas of risk in terms of HMRC taking a different interpretation etc.
- Your in-house team or general accountant should be supplied with sufficient detail to add entries in relation to the R&D claim on your corporation tax return and they should be able to approach the specialist for clarification on aspects of the claim so they are comfortable in reporting it to HMRC.

- Your R&D adviser should be willing to assist with dealing with any HMRC queries (although this may involve additional fees depending on the overall fee arrangements).
- Review your adviser's charges regularly and check that they are still providing the services you need.