

RESEARCH AND DEVELOPMENT CONSULTING LIMITED

# Top Ten Mistakes Accountancy Firms Make When Considering Research And Development Tax Credits...

## ..and how to avoid them

By Vicky Kwenda

RESEARCH AND DEVELOPMENT  
CONSULTING LIMITED  
**TOP  
10**



Helping accounting firms serve their clients better and be seen as vital and valued.

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R & D Consulting



## Accountants are currently facing **three** dominant problems...

### These are:

1. They're losing clients because they don't offer advice on R&D Tax Credits or don't know what to look for in terms of the qualifying activities their clients may be undertaking.
2. They're more and more commoditised and finding it harder to stand out in the market place.
3. Their clients' expectations are constantly growing and they are expected to be experts in all matters relating to tax and accountancy.

For over six years we have worked with accountancy firms to help them provide the additional service of submitting claims for R&D Tax Credits.

During this time we have seen accountants make a number of mistakes which affect their success rate and their reputation. In this document, we will share the top ten mistakes that we have identified, and provide tips on how to avoid them.

# Underestimating the value of R&D Tax Credits as a marketing tool...

**Q** | “Why didn’t my accountant tell me about R&D Tax Credits?”

All too often we see that accountancy firms fail to share the opportunity of applying for R&D Tax Credits with their clients.

Unfortunately, this can mark the beginning of the end of a client’s relationship with their accountant.

Whilst you currently may not think that it is your firm’s job to identify a company’s potential R&D Tax Credit opportunities, many of your competitors will be out there looking for ways to provide more value to potential clients.

*Once your competitors have helped your clients with R&D Tax Credits, there is a chance they will offer them additional accountancy services.*

**It’s not just rival accountancy firms which are a threat.**

With the mass of information online nowadays, clients are more aware of the options open to them than ever before. For many years, accountants have played the role of trusted advisor and, while this is still expected, their clients are now able to do some research themselves and, should their accountant be perceived (whether correctly so or not) to be lacking, they have a plethora of alternative providers waiting in the wings.

Numerous accountancy firms have lost big clients due to failing to identify R&D potential.

## TOP TIP...

Make sure that you assess the possibility of R&D Tax Credits for all your clients, and promote your R&D Tax Credits service through articles, flyers and email contact.







## TOP TIP...

Working with a specialist R&D Tax Credit consultant to assess which of your clients may be eligible can reduce your workload, whilst ensuring your clients are well supported.

## Misjudging the number of industries to which R&D Tax Credits are applicable...

Sometimes accountancy firms underestimate the number of industries to which R&D Tax Credits can be relevant.

Manufacturing, construction, architecture, food & drink, recycling, software development... to name but a few...

Contrary to popular belief, R&D Tax Credits are not just for those in white coats working in laboratories. If accountancy firms are unaware of the opportunities available to their clients, they fail to help their clients to their best ability.

Whilst your priority probably isn't about getting qualified as an R&D Tax Credit specialist, you can still offer great value by having an R&D Tax Credit specialist support your firm.



## Damaging client relationships without ever knowing it...

**Many accountants assume R&D Tax Credits are not applicable to the majority of their clients.**

However, this assumption is frequently incorrect. Most eligible companies are unaware that the work they do qualifies them for R&D Tax Credits, so it's unlikely that they will mention the advance they were working on with that new technology/process/system to their accountant, especially if they are not having regular meetings throughout the year.

The problem then occurs when, whether a company is eligible or not, a rival firm comes along offering a free consultation. This free consultation will make clients wonder why this opportunity was never mentioned as an option by their own accountant.

### **Specialist Assessment.**

A specialist can assess pretty quickly whether it's worth a company's time to look into R&D Tax Credits.

*Engaging such a specialist means that your firm can be providing huge value to your clients whilst ensuring that your competitors are not stealing them from under your nose.*

## TOP TIP...

Find an R&D Tax Credit specialist that you can trust to offer advice on a "no-win-no-fee" basis and suggest your clients have a quick call with them.



## TOP TIP...

Assessing your entire client list can seem daunting. If you are planning on offering this service to your clients, start with those who are coming up to the two-year deadline for submitting a claim.

## Not seeing the financial benefit for their clients...

**Q** | Should you assess all clients for R&D activity when many will not be eligible?

It can take a while to ascertain whether a company is eligible for R&D Tax Credits. There will also be numerous times when a good R&D candidate turns out to have little/no claim potential. Which begs the question - "Are R&D Tax Credits worth investigating in the first place?"

R&D specialists can assess pretty quickly whether an R&D claim is worth pursuing. Having access to this kind of resource can offer peace of mind to accountants and their clients. With the average R&D claim resulting in a benefit of around £40k, it's definitely worth a quick phone call to assess whether there is the potential of qualifying for R&D Tax Credits.





## Not seeing the financial benefit for their firm...

We all know that the most important aspect of running a business is the generation of profit as well as happy clients.

The extra revenue injected into a company through R&D Tax Credits can be just what the company needs in order to excel in their industry. For an accountancy firm wishing to grow its business, bigger clients can often be of more benefit than an increased number.

By having an R&D Tax Credit service as one of your offerings you will help your clients develop their business and demonstrate to them that you are looking out for their best interests.

*This additional offering will also attract the kind of forward thinking clients that are willing to take a risk to ensure their business is a front runner in their industry - hopefully a risk that will lead to business growth year on year.*

## TOP TIP...

Focus on quality over quantity and reduce the amount of time spent looking for new sales leads.





## TOP TIP...

Ensure you have a trusted referral for when a client asks about R&D Tax Credits or, better yet, take the initiative and highlight the possibility to your clients.

## Underestimating how many companies are claiming R&D Tax Credits and its importance...

There was an increase in R&D claims of 19% in 2015-16 from the previous year - a total of 26,255 claims.

While it's true that R&D Tax Credits remain underutilised, more and more companies are expecting their accountant to provide a service to assist them in claiming R&D Tax Credits. In fact, R&D Tax Credits are increasingly become a 'must have' service for accountants.

We've already mentioned R&D Tax Credits as a marketing tool and, as more and more companies are learning about this relief, potential clients may be discouraged if a firm is not seen to be proactive in this area.

If R&D Tax Credits are not viable for your existing clients, what about those you hope to sign in the future?





## Processing an R&D claim themselves...

**You may feel that it's easier to process R&D Tax Credit claims in-house.**

For some firms, this is a great option. For others, it can bring a number of problems if they do not have sufficient training and expertise in this area. Not only this, but time is valuable. How many accountants want to spend it trying to understand CIRD 80150 through CIRD 100000? Do you?

The rules on R&D Tax Credits are complicated, open to interpretation and almost impossible to understand fully without years of experience in compiling claims. The act of filing an R&D claim (a few little boxes on the CT600) is the last part of what can be a very long process.

Who is eligible? Why are they eligible? What costs are eligible? Who is going to prepare the supporting documentation which is required to reduce the risk of an enquiry?

*Whose responsibility will it be to answer a lengthy HMRC enquiry containing technical questions relating to the R&D claim when HMRC may be utilising the help of industry experts?*

## TOP TIP...

**If it's not feasible to have an R&D team on staff, outsource your requirements to a specialist firm who only deal with add on services so there is no chance of your clients being poached for other tax affairs.**





## TOP TIP...

Always make sure your clients supply supporting documentation showing why the company qualifies for R&D Tax Credits and a breakdown of the costs being claimed. This will reduce the risk of an HMRC enquiry.

## Trusting their clients to do it themselves...

**Q** Many companies will supply their own R&D figures for inclusion in their tax return, but where did these figures come from?

Without going through the full process to ascertain qualifying activity and qualifying spend, these numbers could be far too high or far too low. Without any supporting documentation, there is a much higher risk of an HMRC enquiry. There is also a higher risk of mistakes occurring which, when there is an enquiry, will cost your clients dearly.

Supporting  
Documentation

Qualifying  
Activity

Qualifying  
Expenditure

Successful  
Claim



## Thinking that it's too much to learn/implement...

If R&D Tax Credits are a new field, it may seem a daunting task to implement this service for an accountant's client base.

As previously mentioned, the rules are lengthy and can be hard to apply to real life situations. HMRC themselves can have trouble understanding them – what chance have non-R&D specialists got?

*Luckily there are specialist firms on hand to help, and the right R&D Tax Credit specialist will have built up years of experience dealing with claims from all industries.*



## TOP TIP...

When introducing an R&D service to your client through a third party provider, find out what resources they already have available to help minimise your time spent on this endeavour.







## TOP TIP...

Look out for a well-established firm with experience of submitting claims for companies in a wide variety of industries. Ensure they will work with your clients on a fair basis, do not charge any upfront fees nor ask for your clients to sign lengthy contracts.

## Using the wrong R&D Tax Credit Specialist...

For many accountancy firms, it doesn't make good business sense to handle R&D claims in-house and it can be an excellent idea to call in specialist consultants.

However, assistance from the wrong third party can end up badly for all concerned with the client potentially laying the blame at the accountant's door.

*Establishing a solid relationship with a reputable R&D consultancy firm can negate this issue and, in comparison, reflect favourably on the accountancy practice.*



## Case Study...

### One accountancy firm's failure and another's success.

**An Essex based based accountancy firm took on a new high value client.**

As soon as they looked at the client's industry they suspected there may be scope for an R&D claim and once they had spoken to the client in more detail they were sure of it. The client was sceptical as their previous accountants had advised that they would not qualify for R&D Tax Credits.

The accountancy firm reached out to a trusted advisor who met with the company and discussed the potentially qualifying R&D activities they had been undertaking.

*The advisor agreed that they could put forward a strong claim for R&D Tax Credits and set about compiling the necessary documents required. The result for the client was over £70,000 of repaid Corporation Tax for their first claim and they have submitted successful claims each year since.*

Needless to say, the client was exceptionally pleased with the result and held their new accountancy firm in great esteem, building a solid foundation for their future working relationship.







## How can we help you help your clients?

Here at R&D Consulting we have a solution that will help you stand out in the market place against your competitors and offer the best service to your clients.

First, we help identify who is potentially eligible for R&D Tax Credits. Next, we support your firm in the marketing and presentation of the opportunity to your clients. Finally, we use a proven process to work with you to nurture and take care of your clients. By engaging our services, you are able to reduce client churn, you are appreciated and both your firm and your clients can increase their revenue.

We support accountants to serve their clients better. Over the last 6 years we have helped accountancy firms help their clients claim more than £20 million in benefit, with a 100% success rate.

It is our mission to enable more companies to access R&D Tax Credits so that the UK is seen as the leading innovation centre of the world.



### Find out more...

Email **Vicky Kwenda** to find out how you can benefit from R&D Consulting's experience and **marketing toolkit**





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*“As a pro-active, Top 100 accountancy and tax practice we are always looking for additional services which may be of benefit to our clients.*

*In 2012 we sought a partner who could assist our clients in making claims for Research & Development Tax Credits and as R&D Consulting had already successfully assisted one of our clients in making a claim, we met with them and started to identify potentially eligible clients.*

*Since then, R&D Consulting have assisted in submitting over 100 R&D claims for our clients resulting in tax benefits achieved in excess of £2million. As R&D Consulting prepare all the necessary claim paperwork and we then submit the relevant tax returns, we found the process very inclusive and of great value to our clients.*

*We would highly recommend the service offered by R&D Consulting to any accountancy practice looking at providing advice regarding Research & Development Tax Credits to their clients.”*

**Paul Mustoe | Tax Director LB Group**

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*“The team at R&D Consulting has been great to work with.*

*They’ve made the process straight-forward from start to finish and we look forward to working with them in the future.”*

**Ashley Butterworth | Strategic Rail Consultants**



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