

R&D Consultative Committee
Minutes of meeting held on 8th October (13:30 to 15:00)
Bush House, Strand, London WC2B 4RD

HMRC:

Martyn Rounding (MR) (Chair), David Harris (DH), Neil Smillie (NS), Mark Neal (MN), Max Hacon (MH), Simone Barnett (SB), Steve Harris (SH), Sian Stubbs (SS), Adeline Chan (ACh), Nalini Arora (NA) (Minutes)

HMT: Adam Patrick (AP)

BIS: Andrew Culley (ACu)

RDCC:

Paul Arnold (Bevan Buckland Accountants); Gavin Bate (Consultant); David Clift (Hazlewoods); Carrie Hartnell (Tech UK); Guang Deng (Leyton R&D Experts); Richard Edwards (Jump Start UK); Mike Grayton (Ernst Young); Kathie Haunton (Deloitte); Remy Husein (Lowen Dal Masai); Peter Jelfs (Mazars); Carol Johnson (KPMG); Stuart Knight (Matthey); Lindsey Kутten (PwC); Steven Levine (Chantrey Vellacot DFK); Richard Lewis (Pronovotech); Jason H Luke (Rolls Royce); Mohammed Mogra.(Deloitte); John Moore (Kingly Brookes); Chris Newton (New Tax); David O'Keefe (Ryan); Peter Denison-Pender (MMP Tax); Mike Price (The MPA Group); Katy J Rabindran (Grant Thornton); Faye Ruffles (Ernst Young); Neil Taylor (Edwards Accountants); James Tetley (BDO); Terry Toms (R&D Tax); Jennifer Tragner (Almacg); Richard Turner (FTI Consulting)

1. Introductions

MR welcomed everyone to the meeting and introduced himself as the Assistant Director temporarily covering R&D. He gave a brief overview of the reorganisation that had taken place following Carol Lunney's retirement and explained the permanent Assistant Director, Alexandra Galloway would be taking over R&D and Incentive Reliefs from 27th October. DH has taken over Jenn Payne's role on R&D and has previously led on R&D. MR asked for brief introduction from all attendees for the benefit of all present.

2. Minutes of previous Meeting

MR said the previous minutes of the meeting held on 3 April had been agreed and published on the Gov.UK website.

3. Large Business

MH Assistant Director based in Newcastle for Large Business (LB), gave a brief history of LB. There were two strands previously. One was Large Business Service (LBS) that was within Business Tax Directorate. LBS dealt with all companies with a turnover of £600m plus. Large and Complex (L&C) dealt with companies with a

turnover of over £30m. LBS and L&C customers with turnover of over £200m had Customer Relationship Managers (CRMs) assigned to them. From 1st April 2014, the Large Business (LB) took responsibility for ex-LBS and ex-L&C CRM customers.

Previously LBS and L&C worked with the CRM and the R&D Specialist Units but under the new model LB is supported by a national network of R&D theme specialists who will work alongside the CRM. There are eight LB regions covering twenty offices. The theme specialists will work in partnership with case teams on R&D issues arising for LB customers.

SH is the LB R&D theme lead and is committed to ensuring that the partnership of having theme specialists working alongside case teams is effective for our customers. LB R&D theme specialists will also liaise with the specialist R&D units where it makes sense to do so, for example sharing knowledge and continuous professional development.

Cambridge R&D Unit has moved into LB but the remaining R&D Units continue to exist and cover different geographical areas. Business Unit Heads (BUH) continue to meet regularly and the BUH is still the first port of call if there is a problem that cannot be resolved with the caseworker. NA said that she had revised the CIRDC Guidance and had circulated the new postcodes to the RDCC members.

MH also stated that LB has developed a clear policy on what claims are going to be reviewed. The policy provides a high degree of clarity for the case teams and the theme specialists who work on cases that are going to be reviewed.

4. Software

NS said that there was lots of discussion on Software at the last RDCC meeting. Following the RDCC several meetings had taken place internally but changes in personnel had impinged on some of the work that was being done. However the discussions with LB are continuing and by the next RDCC meeting NS should have some firm guidance on the treatment of software. The cases that were on the back-burner are now being overseen by Steve Harris. It would be useful to know what kind of problems members are facing with HMRC on software claims. NS confirmed it was important for the members to contact the CRM to find out at what stage their claim had reached. The guidance will be updated once there is clarity. The examples provided by some members will form the basis of the update to the guidance.

NS said that the team was currently engaging with internal software professionals to help with these issues. MH re-assured the members that HMRC is looking into software issues to address members concerns for a consistent approach. As historically this has always raised concerns as to whether or not the expenditure qualified.

NS emphasised that inspectors were not expected to be software experts however they received training at the annual conference which featured guest speakers from the industry.

5. Capital/ Revenue divide

This issue was discussed at the last RDCC meeting. A sub-committee meeting is due but has been delayed due to resource issues but one will be arranged to look at the sub-committee for their opinions. The cases are mainly concentrated in Large Business and are moving forwards. HMRC are doing lots of work behind the scenes and once the new Cap/ Rev specialist is up to speed we expect further progress.

NS answered some questions relating to the interaction of intangible assets regime with R&D and invited members to email him with further queries. NS asked the committee to consider whether they want a divide between Cap/Rev. If so they should let HMRC have their proposals in writing.

6. Reimbursed expenses

NS said that HMRC should have a firm answer for the RDCC by the next meeting. A number of comments had been received following the last RDCC meeting which are being considered. However the HMRC line regarding reimbursed expenses has not changed in that an item which would not usually qualify within the categories of qualifying expenditure will not then qualify because it is paid in a different way. NS said that he was happy to receive further examples from members. Members asked whether HMRC had sought advice from the QC. NS said that HMRC was looking at all the possibilities and are consulting the members on regular basis. MR asked whether anyone from the Committee had sought QC advice. RDCC members said that claims for most cases were not large and no legal advice had been sought.

6. RDEC Guidance

Committee members were advised that the RDEC guidance is currently with the in-house publishing team and should be available shortly. If there is significant delay in publishing then HMRC is happy to send members a hard copy of the guidance. HMRC is happy to take any further comments. The CRM is first port of call for any Large Business RDEC queries/claims.

SS asked the members to use the external R&D email address available, to notify R&D units of new first time claims to R&D reliefs. This is to prevent any delay as early notification means the units can be on the lookout for them and do the admin sooner rather than later which should speed up claims process. CIR80350 contains all the external email addresses for the Units. For Leicester it is Leicester.RandD@hmrc.gsi.gov.uk

To help members understand the LB process for RDEC claims MH will prepare a paper setting out a framework for how RDEC and enquiries will work and will circulate this to the committee to help them with their claims and would welcome any comments on this paper.

Members were asked to note that the CT600 form was not designed for RDEC claims and so comments in the notes of the return reflecting whether an RDEC claim had been made would be welcome. The new CT600 will resolve most of these issues.

Members of the committee asked for the timeline of the new CT600. The new CT600 is still on course to be delivered in April 2015 for Accounting Period AP) starting on or after 1 April. Earlier APs will still need to use the existing version (v.2).

7 AOB

Issues with e-filing for RDEC and Patent Box. The member of the committee managed to file some of the returns but with the rest was asked by the Processing Centre to paper file. NS was not aware of any problems and asked for the member to email him directly.

A member of the committee asked why large repayments needed to have Committee clearance. MR said yes if there are large amounts involved then this is our general governance to ensure that the caseworker has followed the correct procedures. The Committee sits on a regular basis and if the caseworker demonstrates that correct procedures have been followed then the Committee authorises the repayment.

Nalini Arora
14/10/14