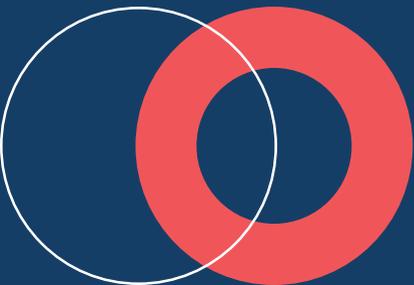


Research & Development Tax Benefits and IP Supports

An introduction to State-sponsored tax benefits and intellectual property-focused research, development & innovation supports for Irish companies.



R&D Tax Credit

A Research and Development (R&D) tax credit, administered by Revenue, is available for all companies in Ireland undertaking qualifying R&D in Ireland or within the EEA.

Qualifying R&D expenditure generates a **25%** tax credit offset against Corporation Tax (CT) in addition to the normal CT deduction for those R&D costs. Any expenditure funded directly by grant aid will not qualify, but companies can claim tax relief on the balance of the R&D spend.

Claims must be made within 12 months from the end of the accounting period in which the R&D expenditure was undertaken.

Qualifying R&D activities can generate cash refunds. If a company does not have a CT liability in the current or immediate prior period, it can claim a repayment in cash of R&D tax credits in three instalments

over a three-year cycle, subject to caps against the company's Irish payroll taxes. Alternatively, the tax credit can be offset against future tax liabilities.

Eligible expenditure includes salaries, plant and machinery, raw materials, subcontracted R&D, power consumed as part of the R&D process, and R&D buildings.

For more information, see: <https://www.revenue.ie/en/companies-and-charities/reliefs-and-exemptions/research-and-development-rd-tax-credit/index.aspx>

Knowledge Development Box

The Knowledge Development Box, administered by Revenue, offers a **50%** reduction in CT on profits attributable to IP generated by in-company R&D. This means that a company's qualifying profits may be taxed at an effective rate of **6.25%**.

Qualifying assets are patented inventions and copyright software. SMEs may be permitted to expand the definition of qualifying IP to include certain non-patented inventions that are certified by the IP Office of Ireland (IPOI) as being "patentable". These may be trade secrets retained by the SME.

Relief is claimed within **24** months from the end of the accounting period and is linked to the percentage of total costs incurred on developing the qualifying IP asset(s). Successful applications require the income

relating to each qualifying IP asset or family of assets to be separately identified. That income must flow to the Irish company that carried out the R&D in Ireland.

The scheme is self-assessed, but it can be investigated by Revenue up to four years after the claim is filed.

For more information, see:

<https://www.revenue.ie/en/companies-and-charities/reliefs-and-exemptions/knowledge-development-box-kdb/index.aspx>

Further information:

[guide-to-the-irish-state-sponsored-rd-i-support-ecosystem.pdf \(enterprise-ireland.com\)](#)

[National-Directory-of-RD-I-Supports-for-Enterprise-2021-2021_07-.pdf](#)

Enterprise Ireland IP Strategy Offer

The Intellectual Property (IP) Strategy Offer supports companies to adopt an IP Strategy to manage and exploit IP resulting from research, development & innovation (RD&I). It applies to all forms of IP including patents, designs, trademarks, trade secrets and copyright.

The offer addresses barriers to undertaking IP activity that are commonly faced by SMEs, including: (a) low IP awareness (b) limited internal IP management capability and (c) the cost of obtaining external IP expertise.

Two separate grants (IP Start and IP Plus) are available to companies with IP strategic challenges who are: an Irish owned SME*; R&D active; in a manufacturing/internationally

traded services sector; and a client of Enterprise Ireland, Local Enterprise Office (LEO) or Údarás na Gaeltachta. (*Large companies may request to apply for IP Plus only through their DA and will be considered on a case-by-case basis).

For more information, visit:

www.enterprise-ireland.com/ipstrategyoffer or

contact the EI IP Manager at:

IPStrategy@enterprise-ireland.com

IP Start supports companies to obtain the external expert IP services needed to address immediate IP issues, e.g. prior-art research; IP audit; drafting and filing patents/trademarks/designs. The grant covers up to **80%** of costs to a maximum spend of **€2,700**. (i.e. max award: **€2,160**).

IP Plus supports companies to develop a detailed IP Strategy aimed at maximising their growth potential in line with the RD&I and business development strategies. The grant covers up to 50% of costs to a maximum spend of **€70,000** (i.e. max

award: **€35,000**). Eligible costs are limited to a maximum of **€50,000** on external expert IP services and the balance on internal IP Champion salary. IP Champion cost cannot exceed **50%** of the overall cost.

Worked Example

XYZ Engineering Ltd identified an R&D opportunity that – if successful – could yield a new product with significant commercial potential. Before undertaking the R&D project, XYZ Ltd engaged a patent attorney to conduct a review of the relevant patent literature, at a cost of **€3,000**.

This prior-art review, with IP Start grant support of **€2,160**, indicated that there was potential to advance the state-of-the-art through an R&D project. They then submitted an Agile Innovation grant proposal to Enterprise Ireland for an R&D project costing **€100k** in total. The grant request was approved at a grant rate of **45%** and they commenced the R&D. Subsequently, they applied for an IP Plus grant for an IP strategy project costing **€70,000**, aimed at managing the output of their R&D. Ultimately a new product

was successfully developed, with patent protection as well as documented trade secrets and copyright material, and the requested funds were drawn down.

The real cost of the R&D to XYZ Ltd. was as follows:

R&D PROJECT	
Total Project Costs:	€100,000
45% grant aid:	€45,000
Non grant-aided expenditure:	€55,000
25% R&D Tax Credit	€13,750
Total R&D Spend by XYZ:	€41,250

The real cost of the IP Strategy activity was as follows:

IP STRATEGY	
Total Project Costs:	€73,000
IP Start Grant:	€2,160
IP Plus Grant:	€35,000
Total IP spend by XYZ:	€35,840

In summary, XYZ Ltd made a saving of **€92,910** on the combined R&D and IP strategy spend of **€170k**.

One year on from the R&D project completion, the company estimate that profits accruing from sales of the new product amount to **€250k** p.a. XYZ Ltd calculated that, in the preceding accounting period, **€100,000** of this profit could attributed to Knowledge Development

Box qualifying IP assets, i.e. the underlying patents, copyright software and IPOI certified SME trade secrets that resulted from the R&D project. They opted to submit a claim for KDB relief and were able to obtain a **50%** reduction in the Corporation Tax due on the **€100k** qualifying profit, amounting to a saving of **€6,250** to XYZ Ltd.

For more information visit www.enterprise-ireland.com

Enterprise Ireland, The Plaza,
East Point Business Park,
Dublin 3. DO3 E5R6
Tel: (0)1 7272000

Disclaimer:

Whilst every effort has been made to ensure the accuracy of the information and material contained in this flyer, it is possible that errors or omissions may occur in the content. Enterprise Ireland does not provide tax, legal or accounting advice and this material has been prepared in general terms for informational purposes only. Please always discuss your accountancy/tax situation with your accountant or tax consultant before making any decisions relating to R&D Tax Credits or Knowledge Development Box. Responsibility cannot be accepted for any liability incurred or loss suffered as a result of relying on any matter published herein.



#GlobalAmbition