

Advance Assurance for R&D tax reliefs FAQs

1. What is Advance Assurance (AA)?

AA is a voluntary, non-statutory scheme designed to allow companies to provide HMRC with details of their research and development (R&D) ahead of making formal claims in company tax returns. Specialists in HMRCs Incentive & Relief (I&R) teams will review applications received and advise the company applying whether or not the activity qualifies for relief, and whether the costs claimed are qualifying costs

2. Why is HMRC introducing AA?

The government wishes to strengthen the incentive effect of the R&D tax reliefs by providing smaller companies with certainty and guidance through the AA scheme.

3. What are the consequences of a successful AA application?

If a claim is made in line with the terms of the agreed AA applications, for the first three accounting periods of claiming for R&D tax relief HMRC will allow the claim without making further enquiries.

4. Can all companies apply?

No, only those companies:

- that haven't claimed R&D tax relief before making their application and
- whose annual turnover is £2 million or less, and that have
- fewer than 50 employees.

5. Where do I get these figures from?

You take the turnover and employee figures from your latest set of company financial statements.

6. My company is new and hasn't prepared annual accounts yet. Can we apply for AA?

Yes. In this situation, we only specify that that the company hasn't applied for R&D tax reliefs before. If your company is new and hasn't carried out R&D yet, it can also apply - see question 13 below.

7. What happens if an AA application is not accepted by HMRC?

The company can still apply for relief but it will be subjected to the usual risk assessment processes that apply to all claims received.

8. Will any other restrictions apply?

Yes, applications will not be accepted from companies that have:

- entered into a Disclosable Tax Avoidance Scheme (DOTAS), or
- that are registered with HMRC as a corporate serious defaulter.

9. Can grouped companies make an application?

Yes, unless a company in the group has previously claimed R&D tax relief.

10. Can my company apply if my company performs R&D for another company as a subcontractor?

Yes - the form asks for some basic details of the subcontracting arrangement.

11. My company is within the size limits but might be claiming the Research and Development Expenditure Credit (RDEC). Can my company apply for AA?

Yes - AA is open to those smaller companies that intend to apply for the RDEC, as well as claimants to the SME schemes. Our HMRC specialists will help you understand the circumstances in which smaller companies can claim the RDEC.

12. My company is thinking about applying for the Research and Development Allowance for capital expenditure. Can we apply for AA?

No - AA is only for the R&D tax reliefs under Part 3 and Part 13 of CTA 2009.

13. Can I apply for AA if I have not yet undertaken the R&D?

Yes - you can apply for AA on the basis of your planned R&D. Fill in the form on the basis of the R&D your company plans to carry out. After you claim, HMRC may check whether your actual R&D your planned R&D.

14. When can I make an application?

The scheme goes live on Monday 30 November 2015 and applications can be made from then onwards.

15. How do I make an application?

Full details of the scheme will be included in a specific Advance Assurance section in the [Corporation Tax: Research and Development \(R&D\) Relief](#) pages on GOV.uk where you'll find a 'print & post' form. This should be completed and returned to the I&R team address shown on the form.

16. Can I e-mail my form rather than posting the application to HMRC?

At this stage the application can only be posted to HMRC. We're currently developing a 'smarter' application process that will deliver forms electronically direct to the I&R team.

17. Can an agent apply on behalf of my company?

Yes, but the specialist reviewing the application may still need to speak with the person in the company with responsibility for R&D within the company.

18. What happens after my company makes its application?

Firstly, the specialist who is allocated your application will acknowledge receipt within 15 working days. Then it depends on the information provided in the application.

If the detail provided is clear and is easily recognisable as a qualifying R&D project the application will be accepted and a confirmation letter to that effect issued. We aim to do this within 28 days of the I&R unit receiving the application.

If further detail is required, the specialist will agree with you what needs to be provided and within what timeframe (that is why HMRC may need to speak with the person responsible for R&D in the company – see question 17 above). In some cases it may be necessary for the specialist to visit the company to see or discuss the project further.

It's hoped that decisions on all applications will be made within 3 calendar months of the application being received. Confirmation or rejection letters will be issued in respect of all applications received.

19. What information will I need to have to hand when I make my application?

This is explained on the 'print & post' form but you'll need:

- your company accounts
- your company registration documents (from Companies House)
- HMRC correspondence
- previous company tax returns (not needed for new companies)
- the name of a main contact - someone with a direct knowledge of your company R&D (for example, research manager or company director) and who may be required to discuss the application with HMRC

And you'll need to give some basic information about your company and more detailed information about your company's R&D activities.

20. Do I need accountancy training or expertise to complete the AA application?

No, the application form is straightforward and help text is provided. You're asked to provide basic details about your company and the R&D activity you are undertaking and, where necessary, the specialist will contact you to discuss your application and help you build your claim where clarification is required (see question 18).

21. What if there are some changes to the project activity after gaining AA? Will I need to reapply?

You can't make changes to an existing agreement, but you can make some changes to your company R&D activities and the assurance will remain valid. This will be explained further in the document you receive with your agreement letter.

22. Should I send supporting documentation along with an application for AA?

You don't have to, but you might find it helpful. There is a facility to attach documents to the application form, and you may want to do this to send us e.g. a more detailed description of the R&D activity or documents that provide support for your application, such as patent applications.

23. Do I need to provide details of costs and activities for the 3 year period?

No. The details you are asked to provide are for R&D work your company is doing now or is intending to do. HMRC use this information to help form a view as to whether the company is undertaking qualifying R&D. The assurance that HMRC provides is for the company and is not specific to the costs or the project. As described at question 21, when we provide assurance, HMRC tells you what kind of changes to activity in the 3-year period will and won't affect that assurance.

24. Does the R&D have to be in a particular field or business sector?

No, assurance is not dependent on your business sector or activity

25. If my R&D project fails to yield a product or service will I have to pay back what my company benefited from under the AA scheme?

No. Not all projects succeed in their aims. What counts is whether there is an intention to achieve an advance in science or technology not whether, ultimately the associated scientific or technological uncertainty is completely resolved.

26. My company is developing a new product. It receives support from a venture capital company. Is my company eligible for AA?

Yes. The nature and extent of the support might affect whether your company is counted as a SME for the purposes of R&D tax relief, which in turn can affect whether it ultimately receives relief at the SME rate, or under the RDEC. But that doesn't in itself affect whether it can use the AA process.

27. My company is already benefiting from the AA scheme. However, the company turnover is predicted to increase from £1 million pa to £3 million pa if it secures a preferred supplier contract. If the contract is agreed the employee head count will exceed 50 in the next year to facilitate this contract. The company is in the 2nd year of the AA scheme. How will this forecast/trend impact my AA status? Will I incur penalties?

No. The size thresholds that apply when you make your application (see above question 4) are the only ones that count. The aim of AA is to help companies grow. As discussed at question 21 above, we provide guidance about what kind of changes can affect the AA during the 3-year period. A change in company size by itself will not affect the AA. If the change in size also substantially changes the nature of the R&D activity, you can contact the I&R teams to discuss the change and whether it has any impact on the way you carry out your R&D and the assurance already agreed.