

## What is Aiglon Consulting?

Aiglon Consulting represents the knowledge and experience of almost 28 years as a specialist tax adviser.

Having developed a broad range of corporate tax experience, in the early 1990s David O’Keeffe set up a specialist Capital Allowances team at KPMG. He was a regular on the lecture circuit and was frequently published in the tax press as well as being quoted by journalists writing on capital allowance issues. He became involved with the consultation around the reform of the taxation of Intangible Assets, which led to the introduction of the new regime in 2002. Since that time, he has lectured and written on the subject, as well as continuing to advise many companies on the legislation.

David has been involved with the UK’s R&D tax relief regimes since the initial consultations on changing “Scientific Research Allowances” to “Research & Development Allowances”, introducing a statutory definition of R&D and the introduction of R&D Relief for SMEs. In that time, he has developed an enviable level of knowledge of R&D tax relief both from a technical and a practical perspective.

Until January 2011, David was a Tax Partner with KPMG LLP (UK). He was the partner in charge of the UK R&D practice, a practice he created and grew from scratch into a successful, profitable business. He was also a founder member of KPMG International’s Global R&D Tax Incentives Group and a member of the Steering Group, with direct responsibility for the EMEA region.

He has an exceptional reputation in the R&D market and with HMRC, HM Treasury and the Department of Business, Innovation and Skills and is recognised as one of the leading R&D specialists in the UK. He sits on CIOT’s CT technical Sub-Committee and chairs the R&D Working Group of that sub-committee; in addition, he has provided input and consultation to organisations such as CBI, the British Services Association, CIRIA, CIA, SBAC and NMI. He was the only R&D specialist to have input to Sir James Dyson’s influential report: *Ingenious Britain: Making the UK the leading high tech exporter in Europe*. This report is now seen as the catalyst for reform of the UK’s R&D Tax Relief regimes.

It was David’s initiative that led HMRC to set up the R&D Consultative Committee, a group with representatives from HMRC, HMT and BIS as well as industry, advisers and professional bodies. David has been a member since its inception and represents both the clients of Aiglon Consulting and The Chartered Institute of Taxation on the Committee.

David continues to be involved in all aspects of the taxation of innovation and intangibles and actively engages with HMT and HMRC in designing and improving these regimes.

David is now using his considerable expertise and experience to the benefit of his clients at Aiglon Consulting.

## Contact

For further information on Aiglon Consulting or any of these services, please contact David O’Keeffe on:

M: 07703 472569

E: [djokeeffe@aiglonconsulting.com](mailto:djokeeffe@aiglonconsulting.com)

Or visit: [www.aiglonconsulting.com](http://www.aiglonconsulting.com)

Connect on LinkedIn: [www.linkedin.com/in/davidjohnokeeffe](http://www.linkedin.com/in/davidjohnokeeffe)

Follow on Twitter: @djokeeffe

Read David’s blog: [aiglonconsulting.blogspot.co.uk](http://aiglonconsulting.blogspot.co.uk)

# Aiglon Consulting – Services

## R&D Tax Relief

### R&D Claim Management

I am able to provide expert management of your R&D claims, whether they are being prepared in-house by your own staff, or externally by another adviser.

On the face of it, one might imagine that it would be fairly straightforward to pull together the information needed for a successful claim for R&D relief. However, in my experience, if a claim is to be optimised it needs careful managing to ensure all of the relevant issues are considered. For example, I have seen many situations where claims have not been optimised due to a lack of a proper understanding by the relevant people of the importance of the data they are providing. They are simply sent a request for data with little or no explanation and the data returned is incorporated into the claim with little or no understanding of what it really represents.

By managing the entire process carefully, I am able to ensure that your claim is fully optimised and fully defensible should HMRC raise any questions.

I am also able to work with you to design bespoke templates for the preparation of your claim. These will help to simplify and speed up the collection of relevant information and allow year on year claims to be prepared consistently.

### Claim Preparation

Should you wish, I am able to prepare your claim from scratch. I will work with your own technologists to ensure that they have sufficient understanding of the definition of R&D for tax purposes that they are able to assess which of their projects contain qualifying R&D activities. Then I will work with them to ensure that those activities are adequately explained in the claim documentation for HMRC.

I will liaise closely with your finance staff to ensure that I am able to extract the relevant costs for inclusion in the claim. The costing process will be summarised so that HMRC can understand the approach adopted when reviewing the claim.

In all of these scenarios, I can liaise efficiently with the HMRC R&D Inspector responsible for your claim to ensure that the process of agreeing your claim is as smooth as possible. In addition, I will work with the Inspector and your staff to get the Inspector to a position where they are able to adopt a 'lighter touch' on future claims.

### *Case Study*

A company had prepared its own claim and asked for a "quick review". By asking some pertinent questions of the technical staff, I was quickly able to determine that the claim was understated. Working with the company's technical staff, I was able to help them significantly increase the benefit of their claim.

## **Repayable Credit claims**

For loss-making SMEs, especially start up companies, the availability of the repayable R&D credit can be a huge advantage. Given the fact that money is being paid out, HMRC will naturally want to be sure that these claims are correct. In order to ensure that the money you are entitled to is paid as soon as possible, therefore, it is essential that these claims are robustly prepared. Ironically, of course, the companies that will be considering such claims are the very companies that can least afford expensive advisers. However, using my services will ensure that your claim has the best chance of success with prompt payment of the credit.

### *Case Study*

A relatively new biotech company was spending significant sums on R&D but was not obtaining relief; both they and their accountant were unaware of the R&D relief regime. I was engaged to prepare credit claims for the last two periods. The claims were submitted to HMRC who were able to quickly agree them and pay in excess of £500,000 to the client.

## **Above the line expenditure credit**

This new regime, primarily for large companies, came into effect for expenditure incurred on or after 1 April 2013 (subject to transitional rules). Although the basics of what qualifies as R&D activity and which categories of expenditure are eligible are still the same, the new rules change how the relief is effected.

This new regime is particularly beneficial for large companies that are not in a tax paying position. Under the 'old' R&D regime for large companies, there was no payable credit option (as there is for SMEs). However, under this new regime, such companies will be able to take advantage of a payable credit.

Having been actively involved in discussion with HMT and HMRC throughout the development of this new regime, I am well placed to advise on its operation in practice.

## **R&D location/structuring**

I have advised many multinational businesses on the availability of R&D incentives in different countries in order to help them decide where best to locate their R&D function. Clearly, tax is only one of many factors that need to be taken into account but businesses are increasingly aware of the importance of incentives.

### *Case Study*

A UK based company wanted advice on moving their R&D function to the Netherlands, as they believed they would receive better incentives and be able to utilise the Dutch Patent Box regime. By discussing their aims and understanding the operation of the regimes in both the Netherlands and the UK, I was able to show them that, in fact, they were better off keeping their R&D activity in the UK.

## **R&D Grant Applications**

There are a multitude of different grants available to companies undertaking R&D. The problem is that it can often be difficult for companies to be able to

identify the opportunities in time, given the other demands on executives' time. One company director recently explained to me that they had foregone (in her estimate) £1m in grant income because the senior people were simply too busy selling and delivering the business to take time out to apply for the grants.

I can research available grants and prepare the relevant applications to ensure that your company obtains grants that it is eligible for.

### *Case Study*

A renewable energy company wanted to apply for grants in respect of an R&D project it was planning. I was able to advise them in respect of potential FP7 grants and the detailed eligibility requirements and application process.

## **Patent Box**

Legislation was included in Finance Act 2012 to introduce a Patent Box regime into the UK. Relevant IP Profits arising on or after 1 April 2013 can be taxed in the box at a reduced rate of 10% (although the full benefit of the reduced rate is being phased in over five years).

Companies have to elect into the Patent Box regime and will then remain in until the election is revoked. However, it will not always be beneficial to elect into the Patent Box.

At face value, the new Patent Box is an obvious choice for companies with patent profits. In practice, however, there are many factors that need to be considered in deciding when, or whether, to elect into the new regime. Then there's the process of collating all the information needed to compute the RIPP, which will factor into the decision making process even before an election is made.

Qualifying patents will need to be identified and evidence obtained that the various conditions are satisfied. Consider the sources of income related to those patents: Are the patents embedded in product, used in a manufacturing process or are the patents being licensed out? How can that income be identified and recorded? Information will be needed in respect of any R&D expenditure for the four years prior to the company electing into the regime. The definition of a 'group' for Patent Box purposes is much broader than for other CT purposes and may hold some traps for the unprepared. Companies with Patent Box losses may be better off delaying entry to the regime.

There is a lot of information that will need to be identified and collated before the benefits of this new regime can be claimed.

I have been involved with HMT and HMRC in the discussions and consultations throughout the development of this new regime. Since its introduction, I have advised clients on the availability of the regime as well as the practicalities of preparing and submitting claims. I also have experience of advising on Patent Box regimes in other jurisdictions.

### *Case Study*

A French multinational was considering relocating some of its IP outside France and wanted advice on the Dutch Patent Box regime (which they were aware of). I was able to advise them of the availability of other regimes and the essential requirements. Eventually, the organisation decided to move its IP to the Netherlands anyway, as it best suited their business needs, however, they were able to make the decision based on a fuller understanding of the alternatives.

## **Capital Allowances**

I have helped many businesses over the years to optimise their Capital Allowances claims. Many of my clients had previously believed that their accountant was already claiming the full relief on their behalf. Unfortunately, without detailed technical expertise, it is all too easy to miss opportunities.

What was, 25 years ago, a fairly straightforward regime to allow the cost of qualifying capital assets to be written off over time has become a minefield, with many traps waiting to catch out the unwary. The legislation has been tweaked and changed so many times that it is now a challenge just to know which is the relevant piece for a particular situation. There are 11 different types of allowance, each with their own rules, including:

- Plant & Machinery
- Business Premises Renovation Allowance
- R&D Allowances (not the same as R&D Relief)

Many of these categories also then have detailed rules for different situations. For example, for Plant & Machinery allowances there are special rules for:

- Integral Fixtures
- Enhanced Capital Allowances (ECA)
- Long-Life Assets
- Short-Life Assets
- Leased assets
- Assets included in a property acquisition

### *Case Study*

An overseas investor was purchasing a property in the UK and the purchaser proposed a low figure for the Capital Allowances election (“s.198 election”). The investor was referred to me for advice about capital allowances and I was able to help them agree a much higher figure. This saved a significant amount of UK tax as a result.