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INTELLIGENT TAX & GRANT FUNDING ADVISORS



Grants and R&D Tax Credits for Research & Innovation

Guinness Enterprise Centre, Dublin
10th April 2018





R&D Tax Credits

David Farbey, Myriad Associates

Guinness Enterprise Centre, Dublin
10th April 2018

- Objectives
 - Help you understand what R&D Tax Credits scheme in Ireland offers you
 - Help you understand scheme requirements
 - Help you maximise your claims, and minimise your efforts



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About Myriad Associates

A specialist advisor helping businesses secure and maximise R&D tax credits

100% Success

Hundreds of claims processed, over **€100M** of R&D tax credits claimed since 2001

Team / Expertise:

In-house technical writers, tax specialists and cost accountants.

Clients:

SMEs (50 to 500 staff)
Large enterprises (500+ staff)

Irish Office

GEC, Dublin

UK Office

Regent Street,
London





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R&D Tax Credits in Ireland



- **25%** corporation tax saving on R&D expenditure
- Profit and loss making businesses can claim
- Not required to hold the IP rights
- Qualifying R&D activities within the European Economic Area (EEA)

Quick check for “is it R&D”?



- When you started your project did you know exactly **how** to reach your goal?
 - *If you did, it's probably not R&D*
 - *If you didn't it may be R&D*

What work qualifies as R&D? (1)



- Not just for scientists in white coats in laboratories
- Work that seeks advance in science and technology in almost any industry
- Work that involves systematic investigation and experimental development
- Where knowledge of an advance in science or technology is not reasonably available (not in the public domain) then companies can still claim
- You can claim for the costs of a failed project!



What work qualifies as R&D? (2)



- Work in Science and Technology
 - Natural Sciences
 - Engineering and Technology
 - Medical Sciences
 - Agricultural Sciences
- Research types
 - Basic Research
 - Applied Research
 - Experimental Development

What work qualifies as R&D? (3)



- Systematic, Investigative, and Experimental Activities
 - Logical sequence of activities following a recognised methodology
 - Relevant measurement, with distinct milestones
- Importance of contemporaneous, relevant documentation

What work qualifies as R&D? (4)



- Advance in overall knowledge or capability
 - “competent professional” test
 - But may be the same as existing knowledge if that is a “trade secret”
- Seeking to achieve an advance
 - You can claim for a failed project
- Work that tries to resolve a scientific or technological uncertainty
 - Not a commercial uncertainty

What work qualifies as R&D? (5)



- Advances in software technology
 - Software architectures
 - Algorithms
 - Techniques and constructs
 - Not routine upgrades or use of existing technology
 - Not all phases of the SDLC qualify as R&D
 - Same systematic approach is expected

How much is it worth?



- Relief of 25% of *qualifying expenses*
 - Staff salaries, company pension contributions, employer's Pay-Related Social Insurance (PRSI), bonus payments, health insurance
 - Agency staff and individual consultant costs
 - Materials used in R&D or prototyping
- Costs covered by grants are excluded (deducted from qualifying expenditure)

Capital expenditure



- Relief of 25% of costs of building construction and refurbishment
 - At least 35% of activities in the building over 4 years must be qualifying R&D
 - In proportion to the part of the building used for R&D
- Relief of 25% of expenditure on plant and machinery
 - In proportion to the time spent on R&D



- University or higher education institute
 - Restricted to 5% of R&D expenditure or €100,000, whichever is greater
- Unconnected sub-contractor
 - Restricted to 15% of R&D expenditure or €100,000, whichever is greater

How to claim R&D tax credits?



- Meet the “Science Test”
 - Show that you undertook qualifying R&D activities
- Meet the “Accounting Test”
 - Show that your R&D costs have been tracked and accounted for





- Based on contemporaneous records (available for inspection)
- Describe goals and methods
- Field of science and technology and nature of advancement sought, and uncertainty to be resolved
- Evidence of research into existing alternatives
- Details of project work undertaken
- Qualifications and experience of key personnel



- Relevant dates – when project started and ended
- Project plans and timeline
- Personnel records – how much time they worked on R&D
- Payments to external parties (agency staff, universities, subcontractors)
- Costs associated with R&D location (portions of light, heat and so on)



- Claims must be submitted within 12 months of the end of the accounting period during which the R&D activities took place
- Submitted by completing the CT1 Form through the Revenue Online System
- You do not need to submit the supporting documentation when you claim – but it may be inspected later



- R&D tax credit is automatically offset against corporation tax liabilities
- Unused credits may be offset against liabilities from previous years, or carried forward for subsequent years, or paid as a cash benefit
- Payable credits are paid in three instalments
 - 1st payment no earlier than 9 months after end of relevant period
 - 2nd payment 12 months after 1st payment
 - 3rd payment 24 months after 1st payment
- Certain payments can be made directly to key individuals

How much is R&D tax credits worth overall?



- The Irish gov't allowed €553M in R&D Tax Credits in 2014 (latest available data) equivalent to 12% of all CT receipts
- Of this €227M was offset against CT liability, and €326M was repayable credit
- 68% of claims from firms with < €1M income
- 14% of claims from firms with Nil or negative income

Sounds complicated?

Busy growing your business? We can help!



Barrie Dowsett ACMA CGMA
Chief Executive Officer

- ✓ Qualified Accountant (CIMA)
- ✓ 15+ years experience delivering R&D tax claims and securing grant funding
- ✓ 15+ years as FD for large manufacturing and engineering businesses



David Farbey MA, FISTC
Senior Technical Consultant

- ✓ Leading Tech Comms Expert, Author & Speaker
- ✓ 20+ years industry experience
- ✓ Council Member, Institute of Scientific and Technical Communicators



Lauren Olson MA, MISTC
Senior R&D Consultant

- ✓ Excellent Technical Writer
- ✓ Software expert
- ✓ Member of the Institute of Scientific and Technical Communicators

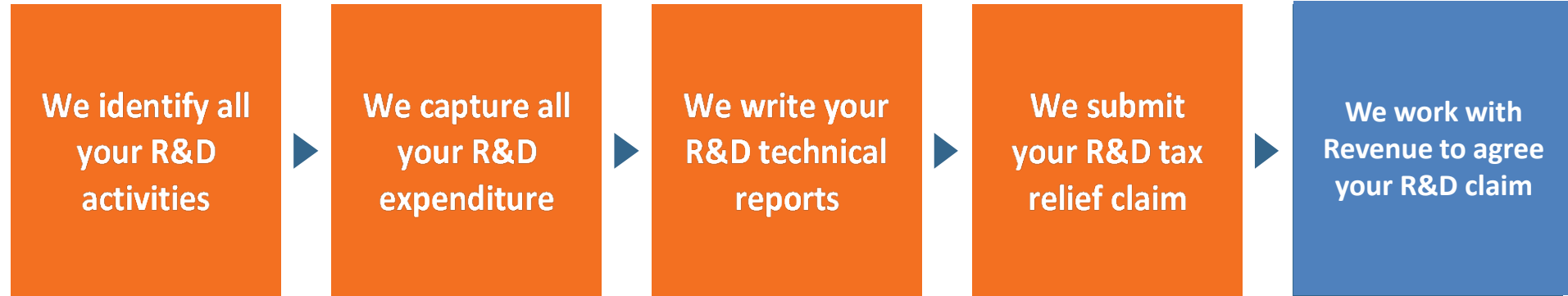


Deborah Chapple AAT
Corporate Tax Senior Associate

- ✓ Specialist tax & costing expert
- ✓ 25+ years of Corporate and Personal tax experience
- ✓ Worked in 'Big 4' London firms

Sounds complicated?

Busy growing your business? We can help!



Client time minimised to just a few hours

- ✓ Maximised claims
- ✓ Software specialists

- ✓ 100% success rate
- ✓ Competitive fees



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Thank you

David Farbey

df@myriadassociates.com

+44 7538 420 800

Increasing your proposal scores and win more

Marc Greatrex Commercial Director



Purpose

- ▶ To leave you with the necessary tools and templates to write more concise, more logical and more impactful grant funding applications
- ▶ Increase your scores
- ▶ Win more


Cresco Innovation

- ▶ Secured 9 SME Instrument Phase 2s
- ▶ Secured 20 SME Instrument Phase 1s
- ▶ Secured 3 FTI proposals
- ▶ Secured approx. €55,000,000 as a team

What is the SME Instrument

PHASE1

Concept & Feasibility Assessment
Idea to concept (6 months)

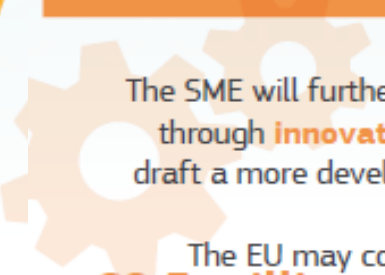


The SME will draft an initial **business proposal**.

The European Union will provide **€50 000 in funding** and business coaching.

PHASE2

Demonstration, Market Replication, R&D
Concept to Market-Maturity (1-2 years)

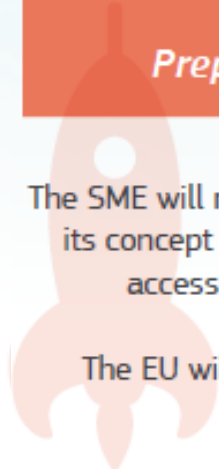


The SME will further develop its proposal through **innovation activities**, and draft a more developed **business plan**.

The EU may contribute between **€0.5 million** and **€2.5 million*** and provide business coaching.

PHASE3

Commercialisation
Prepare for Market Launch



The SME will receive extensive support to help polish its concept into a marketable product, and have access to **networking opportunities**.

The EU will not provide funding in this phase.

What is the proposal format

▶ 1. Excellence

- ▶ In this section you will be required to present your technology and innovation.
- ▶ You need to convince the evaluators that your innovation is excellent, is disruptive in the market(s) of interest

▶ Impact

- ▶ Business Plan - This is the most important section, as it has a weight of 50% in calculating the final score. This is not an R&D based proposal. The clear focus should be on the business side of things.
- ▶ Demonstrate the need! Know your market. Show how your solution answers these market needs.

▶ 3. Implementation

- ▶ Does your WP structure consider your business development?
- ▶ Make sure that your planned activities will promote you and that this activity is what the clients need!
- ▶ Make sure the work plan describes how you fill the existing gaps you mentioned in the 'market' section and will overcome the barriers specified.

What is the proposal format

- ▶ Do not treat each section in isolation
- ▶ Entire proposal is a story – remember the executive summary
- ▶ When you are describing project outcomes in Section 1 or Steps required to commercialise or barriers to market entry – always refer to the specific tasks in your work packages
- ▶ If you change something in any section, you must alter the story in the other sections

Before you start writing any form of proposal, you need a plan:

- ▶ Have a logical reason for the project
- ▶ Confidence that you have the best people to commercialise the outputs
- ▶ A clear and appropriate commercial plan
- ▶ Clearly state how your project goes beyond the state of the art
- ▶ Confidence that your product/process addresses the specific needs of your customers

Quick tip – The evaluator makes a decision based in what is included in the proposal

Quick tip – try and get letters of support/validation from commercial partners, you need to show willingness to buy

Quick tip – work collaboratively when preparing a proposal

Quick tip – be honest and pragmatic – is this a winner for funding?

Executive Summary

- ▶ Intro to your company and your team
- ▶ What is the market need and how did you discover it?
- ▶ What is your solution?
- ▶ What are the failings of the current state of the art?
- ▶ How do you exceed the current state of the art?
- ▶ What are your main USPs?
- ▶ What is the business opportunity?
- ▶ How will you achieve this business opportunity?
- ▶ What major barriers are there and how will you overcome them?

Quick tip -no more than 1 page

Quick tip - be punchy and impactful, this is the first thing an evaluator will read

Quick tip - Evaluator has 25% perception score for each section in an EC proposal

Quick tip - Use an infographic if you can


You have the best and enough people to do it?

- ▶ Any gaps in skill set?
- ▶ Any gaps in experience?
- ▶ Would these people be key hires?
- ▶ Do you need a partner for this?
- ▶ Specific commercial, technical, clinical, operational achievements of the team

- ▶ What type of partner
- ▶ Subcontractor?
- ▶ Third Party?

State of the Art

- ▶ Pick the current state of the art and decide on what features/benefits you intend to compete or what their failing are?
- ▶ Performance?
- ▶ Availability?
- ▶ Usability?
- ▶ Environmental?
- ▶ Social?
- ▶ Inclusion?
- ▶ Price?

- 
- ▶ Quick Tip - know who actually buys
 - ▶ Quick Tip - know what actually drives their decision to buy

Structure of your work plan

- ▶ Technical
- ▶ Prototyping
- ▶ Regulatory
- ▶ Customer trials
- ▶ Commercial
- ▶ Marketing
- ▶ Business Development
- ▶ IP
- ▶ Product Diversification?
- ▶ New customer acquisition
- ▶ Project management
- ▶ Post project scale up
- ▶ Regulatory pathways
- ▶ Market Diversification

Quick tip – budgets are built on a task level and a resource level – spend a considerable amount of time here – we should be getting 4.7/5

Quick tip – budgets have several categories
Labour, Goods and services, Equipment, Capex,
Travel

Quick tip – budget and overall workplan needs to have everything that you need to develop, commercialise and scale up your business

Financially viable

- ▶ The size and structure of the market we are targeting
- ▶ Quantify the market size – meaning the size of the customer segment you are addressing
- ▶ Quantify how the market divides by territories
- ▶ Quantify how the market territories are trending
- ▶ Plan a P&L with sales forecast

General P&L	2016	2017	2018	2019	2020	2021
Turnover	€236,000	€6,446,000	€15,521,000	€26,153,000	€39,188,000	€79,446,000
Grant Funding	€603,000	€1,473,000	€103,000	-	-	-
COS	€813,000	€5,629,000	€10,205,000	€17,000,000	€25,473,000	€51,640,000
Gross Margin	€26,000	€2,290,000	€5,420,000	€9,153,000	€13,716,000	€27,806,000
Gross Margin	11%	36%	35%	35%	35%	35%
Salaries	€725,000	€1,743,000	€3,853,000	€4,708,000	€5,487,000	€7,945,000
Overheads	€218,000	€403,000	€561,000	€445,000	€416,000	€675,000
Net Margin €	-€917,000	€146,000	€1,007,000	€4,001,000	€7,814,000	€19,188,000
Net Margin %	-109%	2%	6%	15%	20%	24%

Cash Flow	2016	2017	2018	2019	2020	2021
Worst Cash Position	€97,000	€791,000	€1,290,000	€500,000	€3,381,000	€10,108,000
Investment	€1,750,000	€1,000,000	€0	€0	€0	€0

QUICK TIP – Remember who the evaluator audience is? Especially in SME Instrument

QUICK TIP – Business Model Canvas is great for summarising Section 2

Business Model Canvas

Key Partnerships
Supply chain partners
Customers

Key Activities (to create value)

Value Propositions

Customer Relationships

Customer Segments and customers therein

Key Resources

Channels (for delivering value)

Cost Structure

Revenue Streams (capturing value)

<i>Projected</i>	YR1	YR2	YR3	YR4	YR5
<i>Revenues £ (000's)</i>					
<i>Gross Mar Prod Sales (%)</i>					
<i>Lic & Royalty Revs</i>					
<i>No of Lic Agreements</i>					
<i>Product Revs</i>					
<i>Partner R&D Revs</i>					
<i>Employment</i>					

Actions

- ▶ Distribute all tools and templates
- ▶ Distribute new H2020 workplan
- ▶ Distribute the updated H2020 Guidelines

- ▶ Marc Greatrex
- ▶ Cresco Innovation Ltd

- ▶ T +44 1509 824895
- ▶ M +44 7702 958 797
- ▶ marc@crescoinnovation.co.uk
- ▶ www.crescoinnovation.co.uk



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Thank you!

