

23 May 2025



R&D Tax Relief Advance Clearances

Response from ICAS

R&D Tax Relief Advance Clearances

About ICAS

1. The Institute of Chartered Accountants of Scotland ('ICAS') is the world's oldest professional body of accountants. We represent over 24,000 members working across the UK and internationally. Our members work in the public and not for profit sectors, business and private practice. Approximately 11,500 of our members are based in Scotland and 10,000 in England and Wales.
2. The following submission has been prepared by the ICAS Tax Board. The Tax Board, with its five technical Committees, is responsible for putting forward the views of the ICAS tax community; it does this with the active input and support of over 60 committee members.
3. ICAS has a public interest remit, a duty to act not solely for its members but for the wider good. From a public interest perspective, our role is to share insights from ICAS members into the many complex issues and decisions involved in tax and regulatory system design, and to point out operational practicalities.

General comments

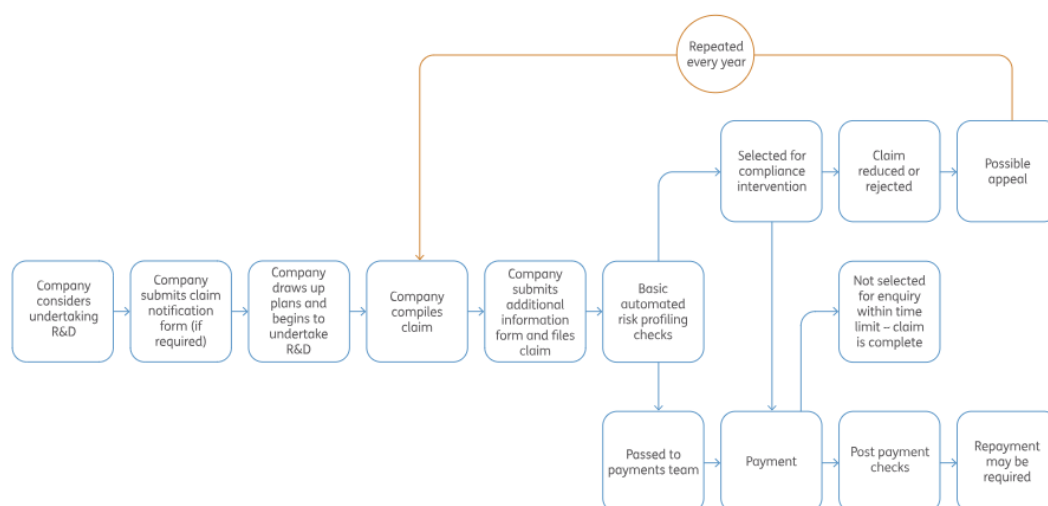
4. We welcome the opportunity to respond to the HMRC consultation – [R&D Tax Relief Advance Clearances](#). We were pleased to have the opportunity to discuss the consultation with the HMRC consultation team at a meeting on 15 May.
5. We do not have comments on all the detailed questions in the consultation, so we are submitting a high-level response covering some of the main areas we discussed at the meeting.
6. We would be happy to deal with any queries or discuss any of the points covered in more depth.

Overview

7. We support the aims of the consultation to:
 - reduce error and fraud
 - improve the customer experience
 - provide certainty to businesses.
8. We also agree with the statement that "to be successful, the reliefs must be predictable and straightforward to access, and provide certainty to genuine claimants to allow them to plan and increase their R&D investments."
9. However, looking at the proposals in the consultation, we are concerned that there is a risk of adding further complexity and potentially duplicating existing processes (like Claim Notification and the AIF), without significantly improving HMRC's ability to achieve the stated aims.
10. The consultation sets out a number of potential changes including amending the current advance assurance scheme for R&D to improve uptake, introducing voluntary or mandatory clearances at different stages in the R&D tax relief claims process (pre-activity, pre-claim or pre-payment) and the reintroduction of a minimum expenditure threshold.
11. We suggest that adapting the Claim Notification Form ("CNF") as part of a two-step process could be effective. The first step would be the adapted CNF which would be used to stream claims into higher and lower risk categories. The second step would be an enhanced compliance process for higher risk claims.
12. We believe that this approach would allow HMRC to continue to improve its claim risk analysis and deploy its resources effectively in tackling error and fraud, whilst ensuring that the process for claiming relief aligns with the policy intention of providing increased confidence to businesses making genuine claims.

Current R&D tax relief claims process (diagram from the consultation)

Diagram 1: Normal R&D tax relief claims process



Proposed changes to the claims process – first step

13. We suggest that the CNF should be adapted to represent the first step in an improved claims process. This would be mandatory for all claimants and would provide more information than the current form. The information requested should focus primarily on objective indicators of likely eligibility. For example, it could seek to identify:
 - Whether the work to be undertaken/that has been undertaken is in a recognised field of science or technology.
 - Whether the company employs (or engages with) competent professionals who are able to identify the baseline state of knowledge and capability in that field of science or technology.
 - Whether the company understands the DSIT Guidelines criteria.
 - Whether any associated contractual and commercial arrangements have been considered and whether these indicate higher risk.
 - Whether the company understands which costs can be claimed for.
 - The company's approach to record keeping and project reporting.
 - Whether the company has engaged an agent to assist with the claim process and, if so, the identity of the agent.
14. This enhanced CNF process could evolve over time, as technology permits, so that at initial introduction it would address only the simpler/objective factors, but over time could develop to utilise technology to incorporate additional factors.
15. For example, it may become feasible in future to incorporate technology that can risk assess whether the company engages competent professionals by analysing publicly available information like scientific publications/LinkedIn to check for relevant research credentials and qualifications.
16. As noted, this new process could be phased in and developed over time. In any case it should not involve duplication of effort/additional work for claimants, as the listed areas should be considered by a company and/or its agent when assessing whether there is an eligible and defensible claim to be made.
17. The details provided at this first stage should allow HMRC to assess the level of risk associated with the potential claim, with the next step depending on the outcome of this assessment.

Proposed changes to the claims process – second step

18. If a potential claim is deemed to be higher risk, it would be placed into a stream which would involve enhanced compliance checks suitable for more complex/higher risk cases. Lower risk potential claims would not be subject to this enhanced checking.
19. However, this would not prevent a lower risk potential claim from being the subject of a compliance check once submitted, ie it would not provide confirmation of full eligibility either in the first or any subsequent claim period. The various risk factors could change from year to year.
20. We note that the current advance assurance process provides “approval” for claims for three years, but we suggest that this may be inappropriate, as any number of factors might change from year to year which would take a company from eligible to ineligible, or vice-versa.
21. Potential claims deemed to be higher risk would be placed into a mandatory second stage enhanced compliance process. We envisage that this second stage would be undertaken pre-payment. This would allow HMRC to consider the information provided at the first stage in the expanded CNF, alongside any additional information submitted with the claim, before deciding on any further details that might be required.
22. For example, if the first step enhanced CNF process identified that the claim was higher risk because the company did not appear to employ/engage with any competent professionals, but the claim itself included a detailed R&D report (showing consultation with relevant competent professionals who had been involved in establishing the boundaries of the R&D project), the claim might be accepted without further queries. On the other hand (depending on all the details provided), HMRC might still require further information before accepting/rejecting the claim.
23. In the context of the process diagram above, the introduction of these steps would move the risk profiling and intervention stages to an earlier point in the process, which we believe could make things more efficient for both HMRC and taxpayers.
24. It should also allow direct dialogue on higher risk claims to begin more quickly, with appropriate HMRC resources (more experienced staff) allocated to those claims, and should help to disincentivise bad actors from proceeding with claims identified as non-low risk after the first step.
25. We appreciate that this would be an ambitious approach; feasibility of delivery by HMRC would need to be assessed. However, if implemented successfully, it could meet the stated aims.

Potential minimum threshold for R&D

26. We would support a minimum threshold for R&D expenditure. Below a certain level, it is unlikely that any genuine R&D is taking place – and the cost of preparing a proper claim is likely to outweigh any benefit. Error and fraud are also more likely to occur in smaller claims, so reducing the numbers of these would make it more feasible for HMRC to operate the proposed process.
27. We believe that the threshold should be at least £10,000, probably more. £25,000 would appear to be a reasonable starting point (although this could potentially be increased over time). However, if the government does decide to adopt a minimum expenditure threshold, there should be further consultation on the details of how it would work – for example, to consider whether any threshold should apply on an accounting period basis, or on a project basis.

Agents

28. As briefly mentioned at our meeting, there is ongoing work around raising standards in the tax advice market. As set out in [our response to the 2024 consultation](#) on a possible regulatory framework (and our [more recent response](#) to the 2025 consultation on enhancing HMRC’s powers to tackle tax advisers facilitating non-compliance), we recognise that there is a minority of incompetent, unprofessional, and unscrupulous advisers whose activities harm clients, reduce public revenue, and undermine the tax advice market. This has been a particular problem for R&D tax relief claims.

29. We have been calling for some time, for the introduction of a requirement for all tax advisers to be qualified and to be a member of one of the main professional bodies; we supported 'approach 1' in the 2024 consultation.
30. It is disappointing that in spite of majority support for 'approach 1' in responses to the 2024 consultation, there is no indication that it will be taken forward. In the longer term we believe that this would address many of the identified problems in the tax advice market, including some of those relating to R&D tax relief.



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