R & D TAX CREDIT CASE STUDY 2

Two years ago we were approached by a group of Middle Eastern billionaires to assist them in evaluating the financial position of an F1 team, with a view to them buying the team.

Part of the process was to look at the current financial position and establish the future financial needs of the team.

When working through the financial projections, it was clear that R&D Tax Credits formed an important part of the F1 team's future funding.

Drilling down into the R&D Tax Credits in detail revealed that the F1 team shared many of the same issues that much smaller organisations face:

1. How do we identify the activities that are eligible?
    a. Which activities involve scientific and technological advances?
    b. Which activities, whilst innovative, do not contain scientific and technological advances?
2. How do we attribute cost to the eligible activities?

How did the F1 team solve these challenges?

By building robust systems that captured the required data. The hardest thing that the F1 team found to separate was "what was an eligible activity and what was not". However, their engineers are all experts in their field and once they knew what made an activity eligible, they could build a system to record it.

Of course, F1 teams have the resources to build complex systems where necessary. Smaller organisations do not have these resources, but can learn from F1. Successful R&D Tax Credit claims are largely built around good systems to capture:

1. Eligible activities
2. Eligible costs