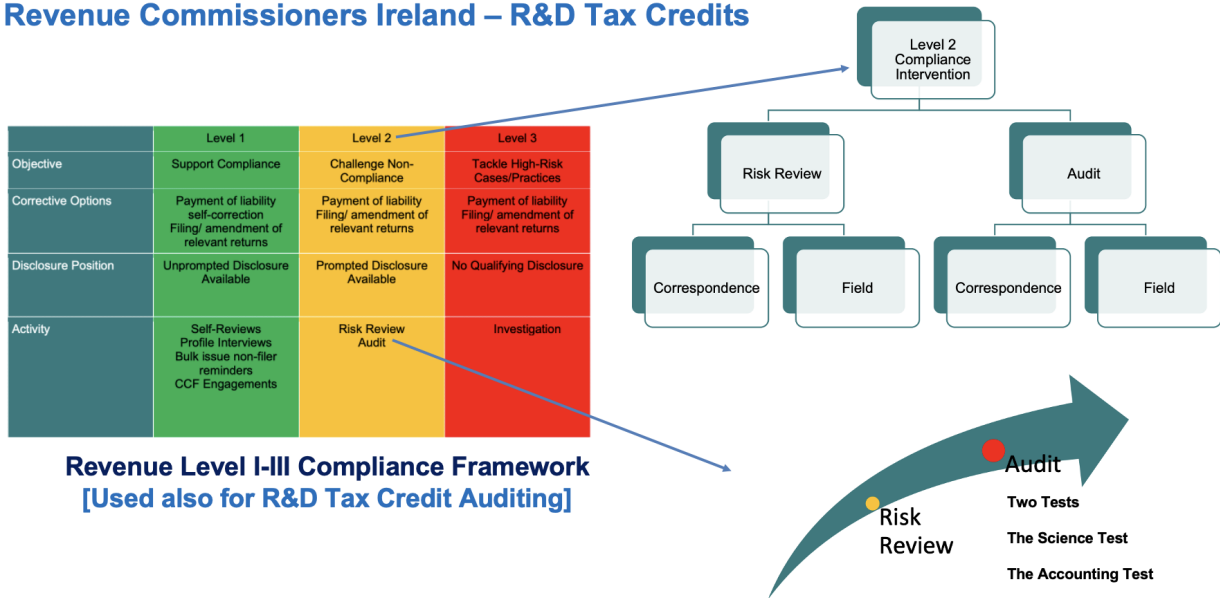


Auditing R&D Tax Credits - Ireland

13/03/2024 6:46 pm GMT

In Ireland, R&D Tax Credits are audited in the context of the Compliance Framework as set out below

Example of Auditing Framework Revenue Commissioners Ireland – R&D Tax Credits



R&D Tax Credit Risk Reviews & Audits as Part of Tax Compliance Framework

How can we understand or navigate this auditing framework?

This Code of Practice for Revenue Compliance Interventions came into effect in May 2022. It sets out a Compliance Intervention Framework intended to provide a consistent graduated response to taxpayer behaviour, ranging from extensive opportunities to voluntarily correct mistakes up to the pursuit of criminal sanctions for cases of serious fraud or evasion.

The different 'intervention levels' within the framework are set out in this Code (see Table)

[<https://www.revenue.ie/en/tax-professionals/documents/code-of-practice-revenue-compliance-interventions.pdf>].

1.1.1. Overview of Compliance Framework Levels

	Level 1	Level 2	Level 3
Objective	Support Compliance	Challenge Non-Compliance	Tackle High-Risk Cases/Practices
Corrective Options	Payment of liability self-correction Filing/ amendment of relevant returns	Payment of liability Filing/ amendment of relevant returns	Payment of liability Filing/ amendment of relevant returns
Disclosure Position	Unprompted Disclosure Available	Prompted Disclosure Available	No Qualifying Disclosure
Activity	Self-Reviews Profile Interviews Bulk issue non-filer reminders CCF Engagements	Risk Review Audit	Investigation

Irish Revenue Compliance Framework Levels

The following is an extract from the Code:

“This Code of Practice sets out what you, as a taxpayer, can expect from Revenue if we contact you in relation to your tax affairs and how we will conduct our interventions. It also sets out the benefits that arise from disclosing any default at the earliest opportunity and cooperating fully with a Revenue inquiry. The Code provides details of how and when penalties apply for different categories of default and sets out your entitlement to Review or Appeal if you are dissatisfied with either the conduct or outcome of a Revenue Compliance Intervention. The Code is intended to provide you with certainty and clarity around the opportunities available to review your tax compliance position and to voluntarily address any issues identified”.

A high level overview of a Level 2 Compliance Intervention is shown in the **Figures** below.

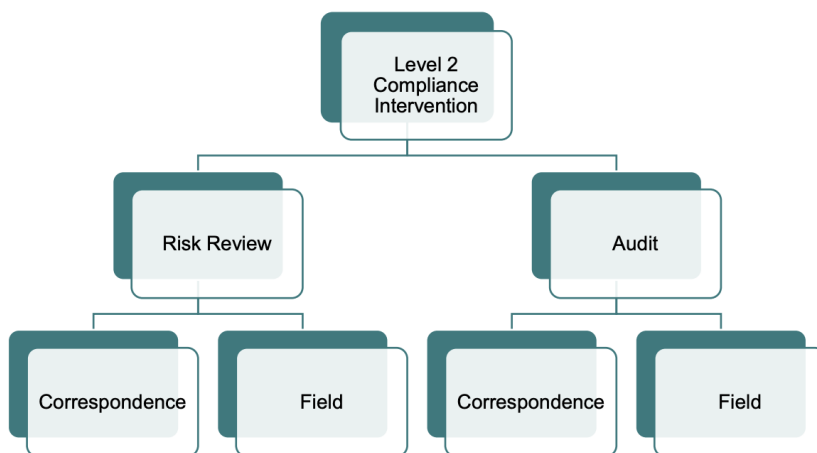


Figure: A Level 2 Compliance intervention involving Risk Review and Audit (Revenue: Code of Practice for Revenue Compliance Interventions, May 2023)



Figure: Level 2 of the Risk Compliance Framework involves a risk review and an audit

So how can we be ready for Audit?

Compliance Level I: Self-Reviews & Profile Interviews

a) Follow best practices to submit an R&D Tax Credit Claim (self-assessment)

Submitting an R&D Tax Credit Claim

Complementing your R&D Tax Claim with a Strong R&D Report (Ireland)

b) Be ready for a Revenue Commissioners "Profile Interview" and bring out strength in your R&D management and governance approach.

Compliance Level II: Risk Reviews & Audits

If you get a notification from Revenue that they will inspect further your R&D Tax Credit claim, firstly determine exactly what parts of the claim they are auditing. Namely, the two areas of focus will be the "Accounting Test" (financial computations), or the "Science Test" (whether the work qualifies as R&D).

Typically, there is a short window to respond to Revenue with details of an R&D Tax Credit claim in order for them to proceed with their audit.

If an audit proceeds to a "Science Test", and external appointed independent expert may be nominated to review your claim.

These independent experts have a mandate against the following requirements (Read Page 8-10 of this [guideline](#))

Note: you will be able to pre-approve an independent expert before they are assigned to your case, if there are any conflicts of interest or if you feel that they do not have the required expertise to review the claim.