

www.invennt.com

R&D tax credits

An introduction for construction contractors

Find out more →

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Introduction to Invennt

Veteran construction executives, **Tim Fitch** and **Brendan Morahan**, founded **Invennt** in response to a shortage of construction and civil engineering expertise among the established management consulting brands.

They knew that because companies operating in the built environment deal with the production of one-off projects rather than repeatable products and services, existing consulting offerings were poorly suited to their needs. And after decades at the coalface, they were acutely aware of the challenges that businesses in the sector faced, so they set about assembling a team of consultants that could grapple with them. Since then, the

business has established itself as the go-to firm for strategic advisory services in the construction sector.

In the mid twenty-tens, the business decided to apply this construction-first ethos to tax credit claims, and with a team of engineers, architects and quantity surveyors at their client's disposal, Invennt grew rapidly, to become one of the largest claims advisory businesses for R&D tax credits in construction.

Invennt has since been instrumental in the three-fold growth in construction claims over the past five years and as of 2019, Invennt claims are an average of 42% higher than the industry average without a single investigation by HMRC.

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R&D tax credits explained

Introduced by the UK Government in 2000, R&D Tax Credits are designed to encourage innovation by allowing businesses to reclaim some of the money they have spent on developing new – or improving existing – products, services and process.

The opportunity for construction:



Loss-making SMEs can claim R&D Tax Credit repayment up to £33.35 for every £100 spent on qualifying R&D expenditure.



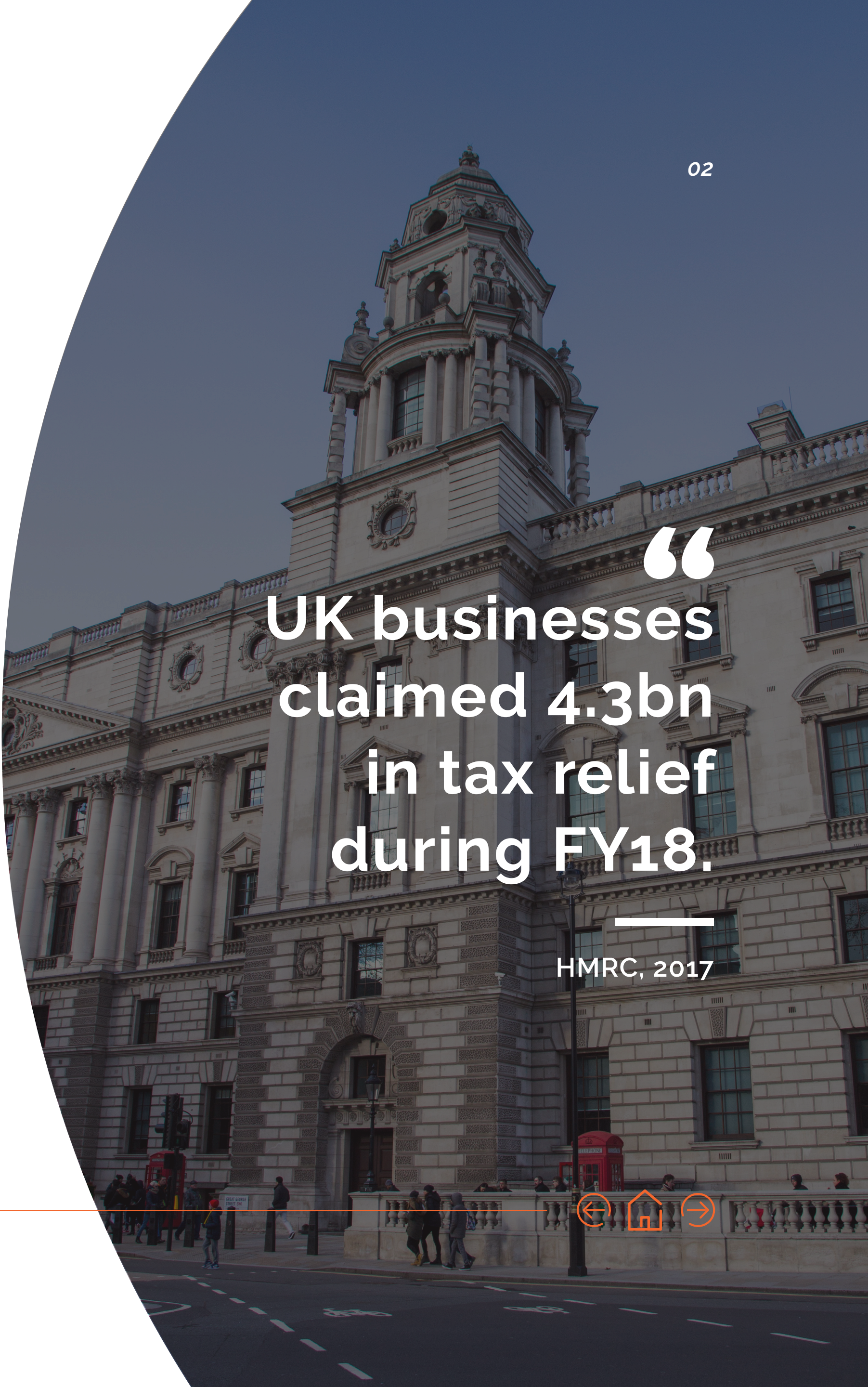
Profit-making SMEs can claim R&D Tax Relief which reduces their corporation tax bill by up to £24.7 for every £100.

Large companies can claim tax repayment of 9.7% of qualifying cost if profitable or 13% if unprofitable.



HMRC define R&D as any project that seeks to:

- Extend overall knowledge or capability in a field of engineering or technology
- Make an appreciable improvement to an existing process, material, device or service in a new or improved way.
- Create a process or service that extends knowledge or capability
- Use science or technology to duplicate the effect of an existing process, material, device or service in a new/improved way.



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UK businesses
claimed 4.3bn
in tax relief
during FY18.

HMRC, 2017



How is this relevant to construction?

You may not realise it, but if you develop new – or improve existing – methods, materials, plant and designs to suit unusual site conditions, then you have been undertaking research and development.

This includes: finding easier, safer or greener ways of working; tackling obstacles in novel ways and advancing solutions through the development of new materials or unusually shaped elements.

Qualifying expenditure is comprehensive:

- Direct staff
- Indirect staff
- Software
- Material
- Academic research
- Subcontractors*

**SMEs only*

Despite recent progress, construction continues to underclaim relative to its share of the economy



The construction industry's contribution to UK GDP



The construction industry's share of claims



Qualifying expenditure

If you pay your staff to solve technical challenges you almost certainly qualify for R&D tax credits but every claim is different and the examples listed here are just a small selection of the types of qualifying activity:

- Developing new construction techniques and use of materials to suit design aspirations
- Creating new solutions to overcome complex site constraints
- Testing and calculations required for new construction methods and materials to ensure they are safe, compliant and fit for purpose
- Developing job specific construction methods and working procedures to comply with HSEQ
- Analysis of structures and materials to understand building movement, wind loads and thermal issues
- Use and research of historically accurate building materials or techniques
- Development of sustainable solutions that outperform industry-standard (BREEAM Excellent/outstanding)
- Use of technology for the first time, in the UK including the adoption of technology from other countries
- Development of bespoke offsite and modular solutions
- Development of temporary systems that enable business-as-usual to continue on live sites
- Development of solutions to accelerate the typical program

Case studies

Specialist utility contractor | 3.4% of cost and over £750k in benefit

We were able to demonstrate blue-collar involvement in R&D which has revolutionised the way the business thinks about itself and lifted the morale of teams in the field. Despite a business model founded on responding quickly to low value orders we were able to find significant tax savings.

Civil engineering contractor | 4% of cost and over £460k in benefit

The business is involved in the Rail sector and has a number of frameworks with Network Rail. By demonstrating a number of innovations including the development of a coding system for railway sleepers we were able to demonstrate substantial innovation. With the money received, the business was able to reinvest in further development projects providing a solid foundation for future growth.

Specialist demolition contractor | 6.5% of cost and over £1.64m in benefit

R&D Tax Credits have had a huge impact on the finances of the business which has a heritage of producing highly disruptive innovation in the demolition sub-sector. We demonstrated that the development of demolition methods to bring down structures within a confined footprint constituted innovation leading to a significant claim.



The Invennt difference

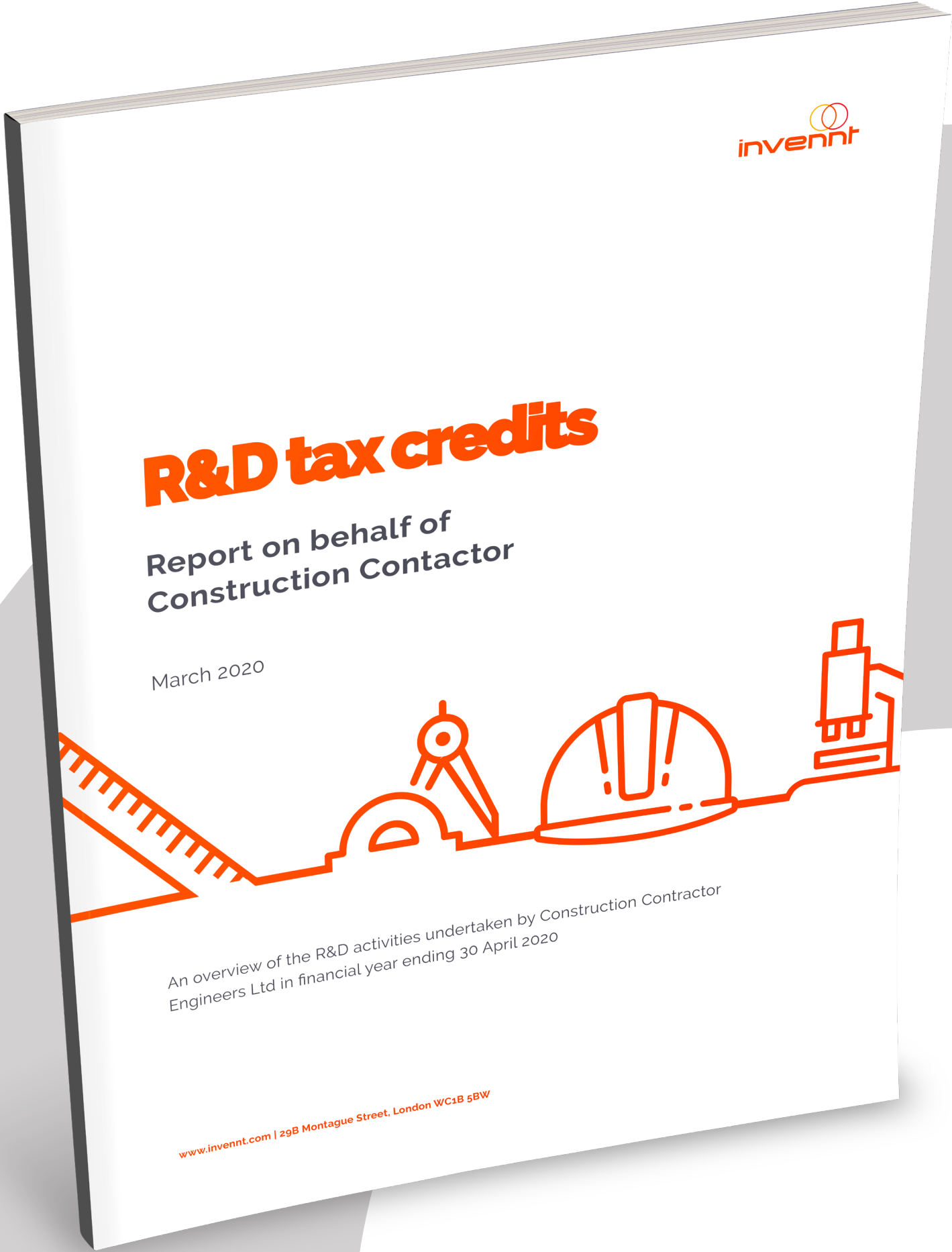
Don't put the cart before the horse

Unlike other tax credits, the R&D scheme requires significant technical knowledge as well as tax and accounting expertise to compile and formulate a compliant claim. Most companies that offer claims advice started out as accountants, so understandably they start with tax expertise and retrofit technical knowledge to their process. This means that frequently a tax accountant will write the claim and then have it checked by an expert in the relevant field.

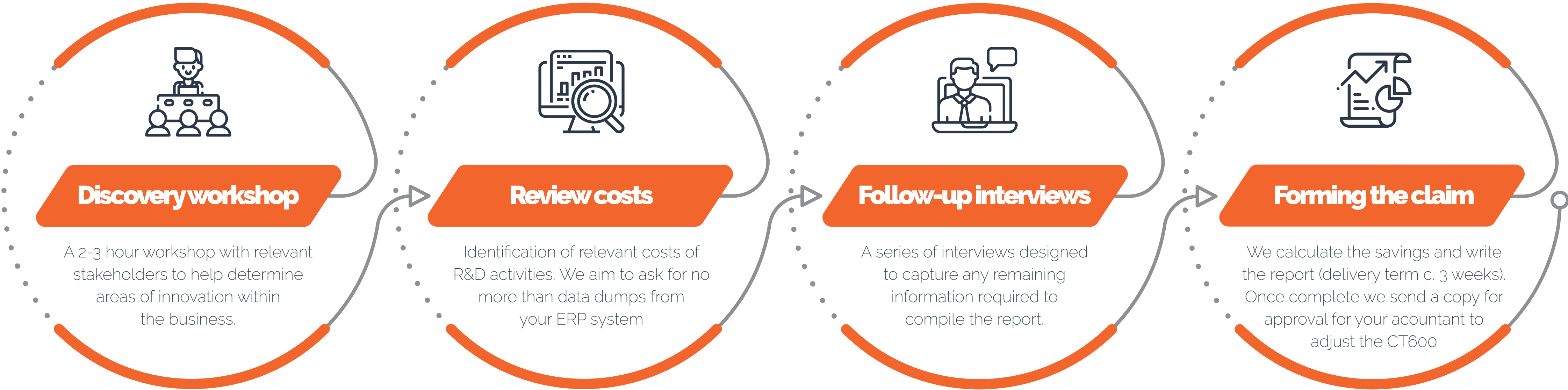
Conversely, we start with detailed practical knowledge of construction and then apply tax expertise to ensure compliance with the rules set out in the tax code. This may seem like a distinction without a difference but it is significant. To use an example, if you wanted to

publish a book on civil engineering it's pretty important to have a publisher on board, but you wouldn't necessarily want them to write the chapter on structural mechanics.

Similarly, if you're compiling an R&D tax credit claim it's essential to understand the intricacies of the tax code but you won't get very far without people who really understand the technicalities and processes of construction and engineering. That's why we have consciously assembled a team with skills from every major discipline in construction and the built environment including architects, civil engineers, geotechnical engineers, quantity surveyors, structural engineers and project managers.



Invennt claims process



Accreditations and partnerships

Our consultants are accredited by the relevant body in their respective discipline and Invennt is an active member of numerous construction industry trade bodies, professional institutions and business forums.



International reach

Our international reach enables us to apply best practice from multiple jurisdictions and offer a consistent international service for businesses operating in the United Kingdom, the Republic of Ireland and Canada.



The Invennt difference

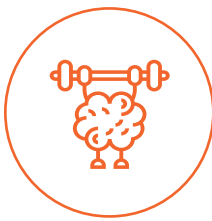
Invennt is the leader in R&D tax credits for construction businesses. Customers choose us because of our unrivalled technical knowledge, streamlined claims process and track record of success.



We have detailed contextual knowledge of the construction sector



We understand and can rapidly identify innovation in the industry



Our consultants do all the hard work and minimise the effort undertaken by internal teams



We have a 100% success rate and have never had a report rejected by HMRC



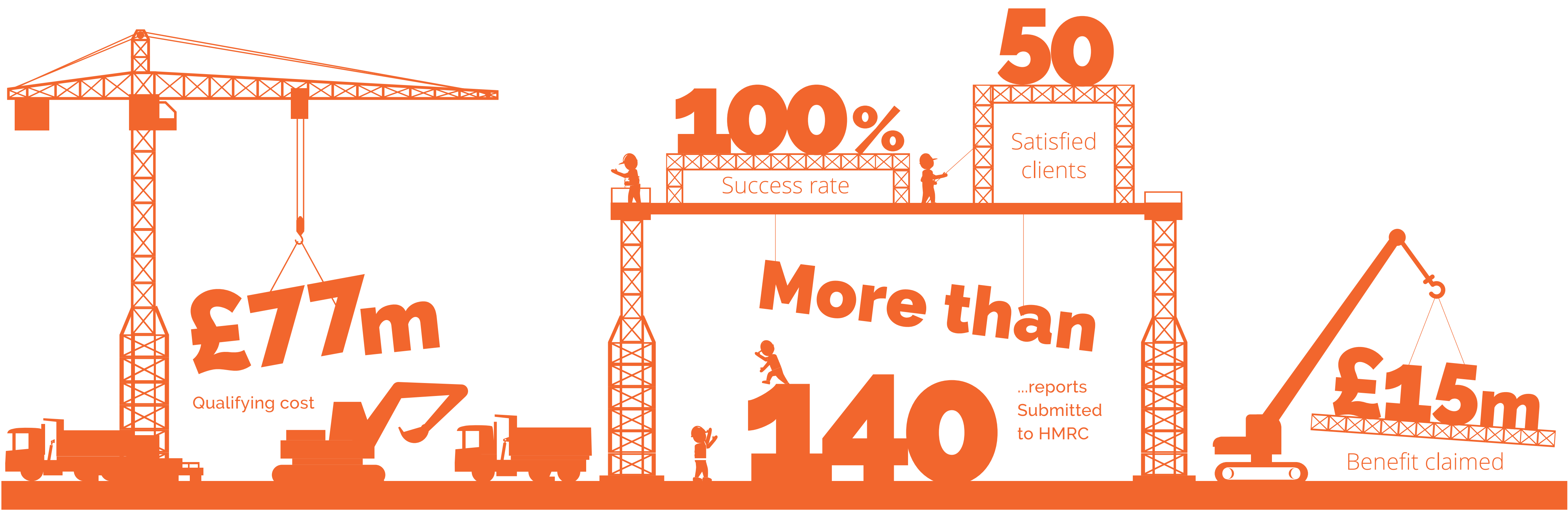
Our reports are endorsed by one of the UK's leading R&D tax credit specialists



We unlock innovation you didn't know existed to bring you lasting tangible value



The Invennt difference





Thank you

If you would like to find out more visit www.invennt.com/tax or call +44(0) 203 286 9830

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