

## A world of opportunity.

### A global perspective on research and development



In the current economic climate, it is absolutely clear that 'Cash is King', and businesses now have to focus very seriously on taking every opportunity to build cash resources and manage leakage. As the full impact of the credit crunch and the influence of issues in the financial sector take hold, groups cannot ignore the bottom-line tax savings and cash flow benefits which R&D incentives can bring.

Many international groups have either overlooked R&D relief completely, believing it to be of little significance, or are content with what they have been claiming without considering whether they are getting their full entitlement. Ensuring that R&D claims are being optimized locally and on a global level in a coordinated way should now be considered a priority.

The number of countries offering generous incentives to encourage Research & Development (R&D) is increasing, and several of those countries that have provided such a relief are now looking to enhance the benefit available. Making such incentive-based claims generally carries little risk of being viewed as aggressive or contentious as governments are keen to promote R&D-based activities.

The process of preparing the claims and managing them through the various tax authorities can, however, still be quite a time-consuming exercise that requires strategic direction, underpinned by experience, strong project management and above all, an ability to identify the eligible areas and communicate them effectively to the various tax authorities.

We see many companies who dismiss the idea of making claims either because they don't perceive sufficient benefit, or because the process seems overly complex.

In both cases, this is often because they are making a judgment based on their own very limited experience of making successful R&D claims, or are taking advice from providers who do not have the knowledge and experience of the technology and the tax worlds.

For large multinational organizations, embarking on an effective global R&D review can seem a daunting challenge to take up, as the many countries that do offer tax based R&D incentives work in a multitude of different ways. Whilst the underlying definition of which activities constitute R&D is consistent, the global regimes include different rules around ownership of IP, the requirement to bear economic risk, the costs that can be included in a claim and many other areas.

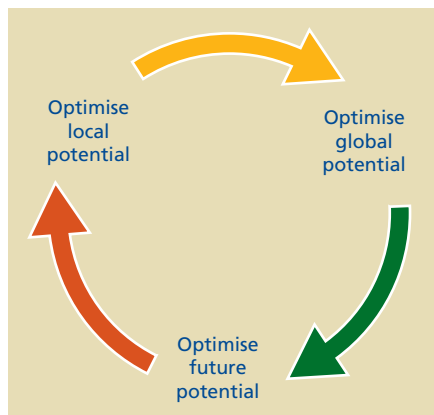
Reconciling all of these differences can only be addressed effectively through a coordinated global review that, in addition to ensuring consistent processes, takes full advantage of the synergies available and adequately considers the related tax issues, such as IP ownership and transfer pricing.

Furthermore, the differences in the detail of the regimes and their interaction often present opportunities for companies to take full advantage of their global structure, whilst still meeting the objectives of individual country governments.

### Approaching Global R&D

The key to unlocking value globally is a pragmatic and logical phased approach. The Deloitte methodology addresses the individual local opportunities first before moving on to consider the wider global opportunities available from cross border interactions and then consolidating that knowledge to plan for the future.

In addition to a potential reduction in the global effective tax rate, there are opportunities for low-risk international tax planning and interaction with transfer pricing arrangements. The divergence of rules governing R&D incentives around the world can allow claims for cross-border payments and the underlying costs in different regimes, whilst still falling squarely within the objectives of each.



### How Deloitte can help

To achieve this enhanced level of cash and earnings benefit, Deloitte Touche Tohmatsu member firms have established a network of over 500 highly-qualified and experienced R&D professionals to deliver a seamless, unrivalled service to cross-border clients.

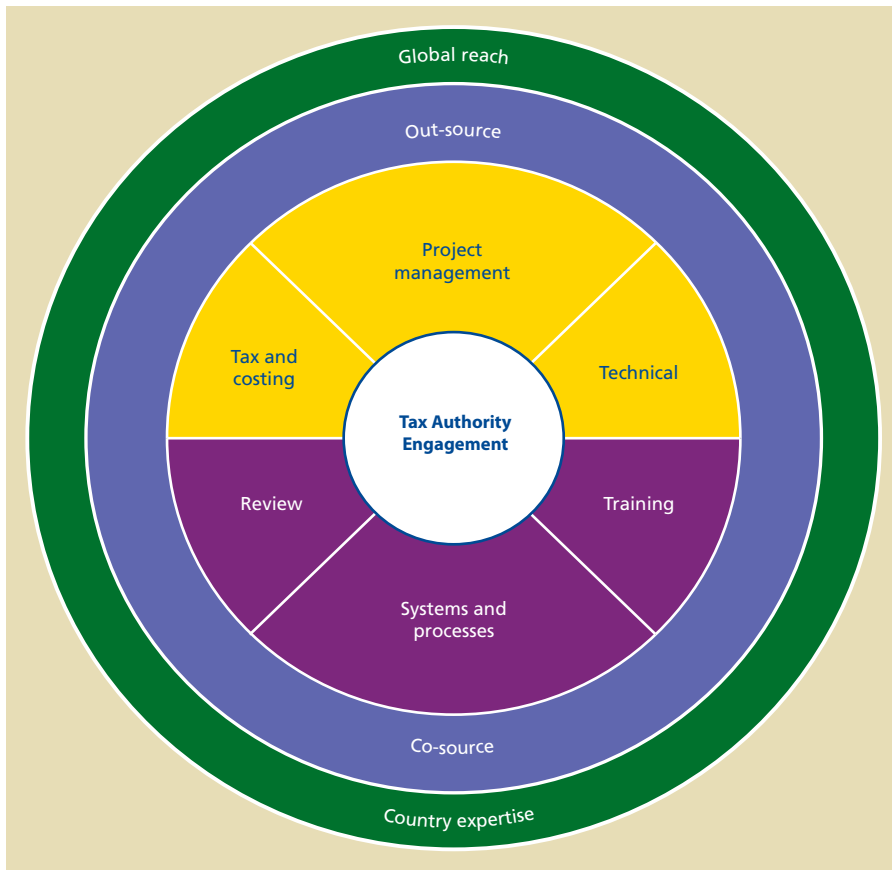
The key to unlocking value is having qualified and experienced professionals from industry who understand the technological aspects of R&D. This is essential to optimizing a claim and minimizing the time your engineers and technical experts need to spend helping to compile the claims and assisting in validation.

Working alongside the R&D specialists, is an established international tax practice with widely-recognized expertise in transfer pricing and cross-border structuring. These capabilities allow DTT member firms to offer their clients a deep and broad base of services, so that the benefits available under the R&D regimes are not considered in isolation.

With R&D incentives viewed as part of the wider picture of tax and business planning, DTT member firms have the experience, tools and proven methodologies to help you:

- Review internally prepared claims and provide feedback on any areas of potential risk.
  - Defend claims under audit by local tax authorities.
  - Carry out due diligence on R&D incentive claims on the sale or purchase of a business, or
  - Plan the interactions between different tax regimes to optimize the overall group benefit.
- Manage the process of R&D identification and optimization.
  - Train your people to prepare claims internally with full knowledge of the latest legislation and practice.





The Deloitte services model allows for complete flexibility as to which aspects of the work we assist with and to what degree. Our approach is based on providing input wherever we can add value, whether that be in dealing with all of the project management, technical analysis and costing work, in providing training for your staff followed by a review process or some combination of the key areas.

With the right combination of skills and experience for success, our flexible service offering-based approach has enabled many clients to submit claims significantly in excess of their original expectations. The DTT R&D network has a unique blend of tax professionals with detailed understanding of the tax regimes within their jurisdictions and engineers/industry experts who understand the technological challenges faced and scientific advances sought by clients through their R&D programs.

For further details, please contact us at [globaltaxandcredits@deloitte.co.uk](mailto:globaltaxandcredits@deloitte.co.uk) or go to our Global R&D website at [www.deloitte.com/dtt](http://www.deloitte.com/dtt).

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