

**RECLAIM  
WHAT'S  
YOURS:**

**GET YOUR  
MONEY BACK  
WITH R&D  
TAX CREDITS**



## SUMMARY

The Research and Development (R&D) Tax Credit is a massive tax savings opportunity for companies all over the world—across all industries—that are engaged in qualifying research activities.

Companies that are looking for ways save money and offset costs, which is especially important during an economic recession, should strongly consider taking advantage of these tax savings, as they can make a significant difference to your bottom line. The potential benefits from these savings include improved cash flow, lower payroll costs, and increased competitiveness.

## INTRODUCTION

Investment in research and development is a significant driver of technological progress and economic growth. But companies attempting to innovate are often faced with technical hurdles related to developing new or improved products and trade processes and integrating them with existing assets.

As many business owners know, overcoming these technical challenges—while crucial for maintaining a successful, healthy business—can be extremely expensive and time consuming. In an effort to promote innovation and help alleviate some of this financial burden, many countries around the world—including the United States, Canada, United Kingdom, Netherlands, France, Ireland, and most other European Union member states—offer valuable tax incentives for companies undertaking R&D initiatives.

# WHAT ARE R&D TAX CREDITS?

R&D Tax Credits are government-sponsored incentives that reward businesses for investment in research. The credit allows companies to reduce their tax bill based on a proportion of their R&D expenditure—generally comprised of the wages for research staff and contract costs for commissioned projects.

## QUALIFIED RESEARCH EXPENSES (QRES)

- **Wages paid to employees for time spent on research-related work (aka “qualified services”), including any time spent supporting and/or supervising related work**
- **Supplies/materials/tools used in the R&D process**
- **Contract research expenses paid to a third party for performing qualified research activities (allowed at 65% of the actual cost incurred by the taxpayer)**
- **Basic research payments to qualified educational institutions and scientific research organizations (allowed at 75% of the actual cost incurred by the taxpayer)**

REGARDLESS OF INDUSTRY, YOUR COMPANY MAY BE ELIGIBLE



# HOW DO YOU QUALIFY?

Eligibility for the R&D Tax Credit is based on activity, not industry. If any part of your company conducts the following activities, and your company pays income or payroll taxes, you may likely qualify for the R&D Tax Credit:

- Develops or designs new products or processes (including computer software, techniques, formulas, and inventions)
- Enhances existing products or processes
- Develops or improves upon existing prototypes and software
- Evaluates alternative solutions or approaches through modeling, simulation, systematic trial and error, or other methods

## INDUSTRY HIGHLIGHTS

Below are just a few examples of activities across different industries that may qualify for the R&D tax credit.

### AGRICULTURE

- **Researching genetically modified organisms (GMOs)**
- **Developing new irrigation methods or yield optimization strategies**

### ARCHITECTURE

- **Developing energy-efficient features for residential or commercial structures**
- **Designing site orientations to utilize natural elements, such as sun and wind**

### CONSTRUCTION

- **Designing heating, ventilation, and air conditioning (HVAC) systems**
- **Exploring construction techniques, equipment, and electrical systems**
- **Finding ways to meet a new building code or construct a greener building**

## ENGINEERING

- Building information modeling
- Determining alternative structural design
- Remediation design, solid waste system design, and drainage system design
- Environmental impact studies

## FINANCIAL SERVICES

- Developing a new software application or enhancing an existing application, including software to keep up with current trends and cybersecurity, mobile banking applications, and software targeted at automating manual processes
- Customizing software to increase productivity or security, develop new functionality, edit current algorithms, or make other changes in an attempt to improve company operations

## FOOD & BEVERAGE

- Exploring innovative processes that improve nutrition, safety, and preservation of food

## MANUFACTURING

- Researching new fabrication techniques
- Creating specialized tools or engineering processes to optimize supply chain
- Crafting new packaging materials or packaging methods

## PHARMACEUTICALS

- Drug research or clinical research and development
- Improving automation processes
- Developing prototypes, drug delivery systems, or methods to further improve shelf life

## SOFTWARE

- Simulating and testing software functionality and performance
- Evaluating technical criteria when selecting software architecture
- Designing and implementing cloud-based software applications

## HOW TO CLAIM THE CREDIT

To claim the credit, your business needs to properly document and evaluate its research activities in order to establish the amount of qualifying expenses—such as salaries, supplies, and materials—and payments made to third parties for the performance of qualifying research activities.

The burden of proof lies with the taxpayer, so it is critical that you establish a reliable documentation process to ensure your company gets the maximum value possible when claiming the credit. If you believe your company has one or more projects that could qualify for the R&D Tax Credit, you'll want to start collecting any relevant documentation as soon as possible. Examples of this documentation may include:

- Time sheets (detailed time data that defensibly distinguishes eligible work from ineligible work)
- Payroll records
- General ledger expense detail
- Resource allocation records
- Project plans, lists, notes, or budgets

In a nutshell, your company needs to show that time and resources expended were exclusively in support of activities where all of the following are true:

- The effort intends to resolve technological/scientific questions or issues;
- It uses a process of experimentation (e.g. compares alternative methods, formulas, or tools and tests different outcomes) to achieve certainty; and
- It relates to the development of a new or improved business component (e.g. new or improved products, processes, computer software, techniques, formulas, or inventions to be used in trade or business).

# TRACK LABOR TIME AND EXPENSES TO R&D ACTIVITIES

## MAXIMIZE CREDIT AND MINIMIZE TAXES OWED

Any R&D-related labor time or expense that isn't accurately tracked translates to higher taxes, and this has a direct impact on your after-tax bottom line. Since the R&D Tax Credit may be claimed for both current and prior tax years, companies can greatly benefit from documenting their activities to ensure they are in a position to claim the credit in either situation.

With Journyx time tracking software, employees and contractors can quickly and easily track their time and expenses by project, project phase, activity, employee class, employee pay rate, and/or resource cost. Journyx equips you with the tools you need to clearly differentiate eligible time and expense by any combination of these variables.

## MONITOR R&D ACTIVITIES AS THEY PROGRESS

The Journyx application's built-in reporting dashboard provides real-time business intelligence at a glance, so you can monitor R&D activities as they progress. You'll get a clearer understanding of:

- Time spent on specific projects/tasks
- Total project costs, including employee expenses and travel costs per project
- Project progress and control
- Financial reporting
- Accruals management reporting

Journeyx reporting dashboards are customizable to show the metrics most relevant in your business. Not only does Journeyx allow you to create dynamic, actionable reports within the application but also to download, save, and share your reports. This means your data will be formatted and auditable for use in claiming the R&D tax credit.

## CONCLUSION

R&D tax incentives are evolving at a rapid pace around the globe. Organizations that take advantage of these incentives can significantly reduce costs and save enough money to hire new employees, invest in new products and service lines, and grow their operations.

Remember, the key to claiming R&D Tax Credits is having the right documentation (e.g. detailed payroll records and reports that track time, expenses, and other project accounting information) with undoubtedly accurate auditability. You will need records showing the money you paid, the activity's purpose, and a breakdown of qualified versus non-qualified activities for expenses that relate to multiple purposes.

In order to maximize available credits, it is often recommended that companies seek assistance from knowledgeable specialists who have technical, tax, and legal expertise in this area. But the first (and arguably most important) step is to **start tracking your R&D time and expenses.**

For more information about how Journeyx Project Time Tracking Software can help you maximize your savings and minimize taxes owed, contact our expert team at [sales@journyx.com](mailto:sales@journyx.com) or visit our website at [www.journyx.com](http://www.journyx.com).