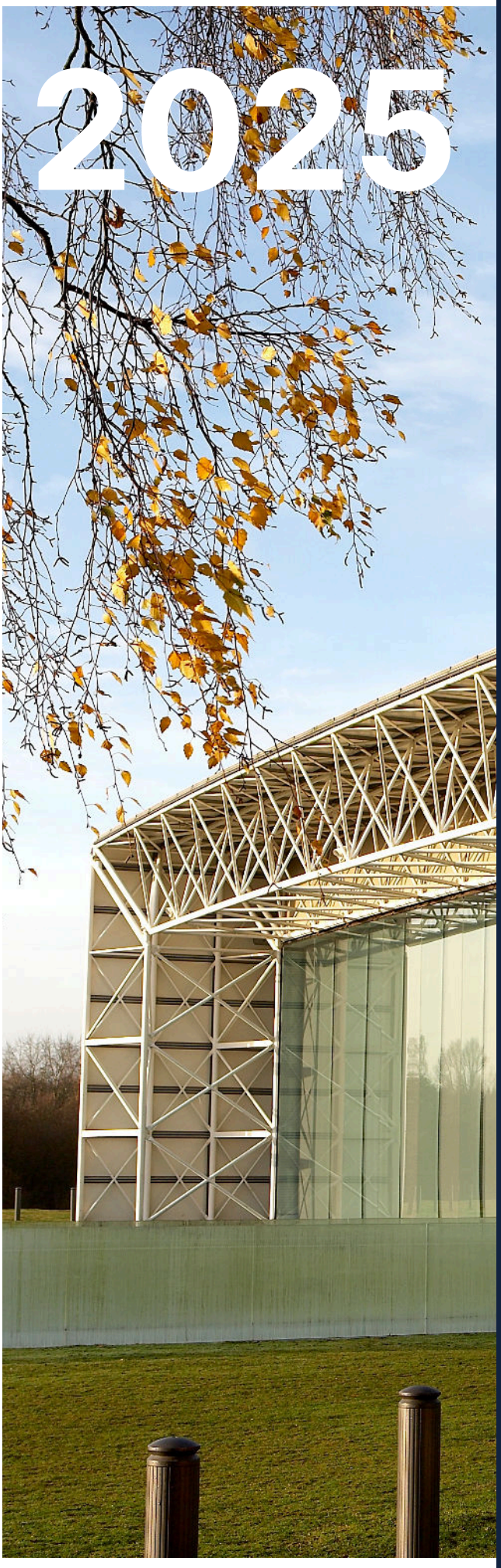


R&D Tax Relief for Architecture

A Guide to Qualifying Work & Enquiry Defence

WILBY JONES

Understanding R&D in Architecture

Research and Development (R&D) tax relief is a financial incentive that can be claimed by qualified architectural firms, offering significant financial benefits for innovative projects.

However, navigating the complexities of what qualifies as R&D in architecture can be challenging. This guide provides an in-depth exploration of how architectural firms can identify and defend qualifying R&D activities. It addresses common misconceptions, highlights key areas of R&D in architecture, and offers practical advice on how to build robust claims that withstand HMRC enquiries.

To qualify for R&D tax relief

architectural projects must meet specific criteria set by HMRC. These criteria require that the work involves an attempt to advance science or technology, which is distinct from routine architectural tasks such as standard design and planning. The key to eligibility lies in addressing technological uncertainties that cannot be easily resolved by a competent professional in the field.

Technological Uncertainty

Is the work seeking to resolve a technological uncertainty that could not be easily resolved by a competent professional?

Experimental Process

Does the project involve a process of experimentation and iterative testing to achieve its goals?

Novelty and Innovation

Is the knowledge being created not readily available in the industry, representing a genuine advancement.

Understanding R&D in Architecture

Common Areas of R&D Challenges

Architectural projects often present unique challenges that may involve R&D. Some of these areas include sustainability initiatives, working with listed buildings, managing difficult site conditions, adapting to changes in build regulations, employing complex engineering solutions to overcome site-specific problems, value engineering using complex combinations of materials or techniques, and implementing new build methods. It's important to note that this list is not exhaustive, and each project should be assessed on its own merits to identify potential R&D opportunities.

Innovative Design Solutions

Non-Standard Structural Forms
Development of novel structural designs that require advanced engineering calculations to resolve technological uncertainties.

Technical Challenges in Building Performance
Solving previously unaddressed issues related to energy efficiency, thermal performance, or structural integrity.

Material and Structural Testing

New Materials and Techniques
Experimenting with novel materials to enhance durability, sustainability, or safety, and developing prototypes to test new construction methods.

Regulatory Compliance
Conducting extensive testing to ensure compliance with building codes and regulations when using innovative materials or techniques.

Digital and Computational Methods

Custom AI and Parametric Design Tools
Developing bespoke AI algorithms or parametric design tools to optimise structural efficiency, energy performance, or construction processes.

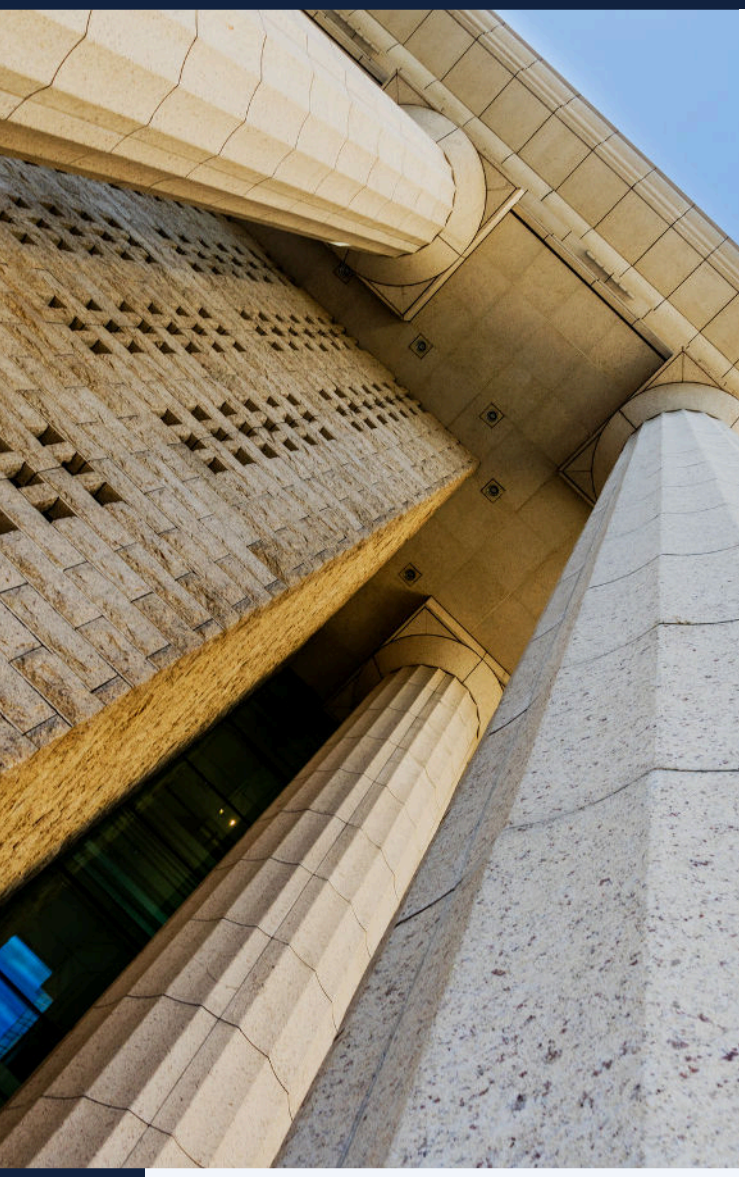
Advanced BIM Applications
Pioneering the use of Building Information Modeling (BIM) beyond standard industry practices to enhance collaboration, precision, and innovation in design and construction.

Energy Efficiency & Sustainability Innovations

Passive Design Strategies
Implementing novel passive design techniques to reduce energy consumption and improve environmental performance.

Computational Modeling
Using advanced computational tools to optimize airflow, thermal performance, and energy efficiency in buildings.

Enquiry Defences



How to Justify R&D in Architecture

When defending HMRC enquiries, aligning projects with DSIT (Department for Science, Innovation and Technology) principles is crucial. This alignment demonstrates that the project genuinely sought a technological advance, aligning with HMRC guidelines. The DSIT guidelines provide a framework for understanding what constitutes R&D, and several of these guidelines are particularly relevant to architectural projects.

The Importance of Technical Justification

For each qualifying activity, it is crucial to provide robust technical justification to support R&D claims. This involves detailing how the project addresses technological uncertainties, the methods used to overcome them, and how the work contributes to advancing science or technology.

Qualifying Activities: What Counts as R&D?

DSIT Guidelines and their use in R&D Reports

The 'DSIT guidelines' refer to the guidelines issued by the Department for Science, Innovation and Technology (DSIT) that define what constitutes Research and Development (R&D) for tax purposes. These are used by HMRC to define qualifying R&D activity within projects. Wilby Jones reference all relevant guidelines within our reports to show compliance and to demonstrate that our clients' projects meet the requirements for R&D tax relief. This ensures the claim aligns with HMRC's expectations.

It's important to note that likely 80-90% of your work will not qualify for the relief. R&D is not an all-or-nothing relief; we look for aspects of an individual project, not the whole project. Areas we earmark for potential R&D were mentioned in the previous section. While not exhaustive, this list should be viewed as a starting point, with each project assessed on its own merits.

Key DSIT Guidelines for Architecture

DSIT 3

Projects often aim to advance knowledge by addressing updated regulations or specific site conditions where innovation is necessary due to the absence of existing solutions.

DSIT 6

In architecture, companies typically rely on existing experience and know-how. However, when these are insufficient, a technological gap exists that needs to be filled, indicating the need for R&D.

DSIT 8

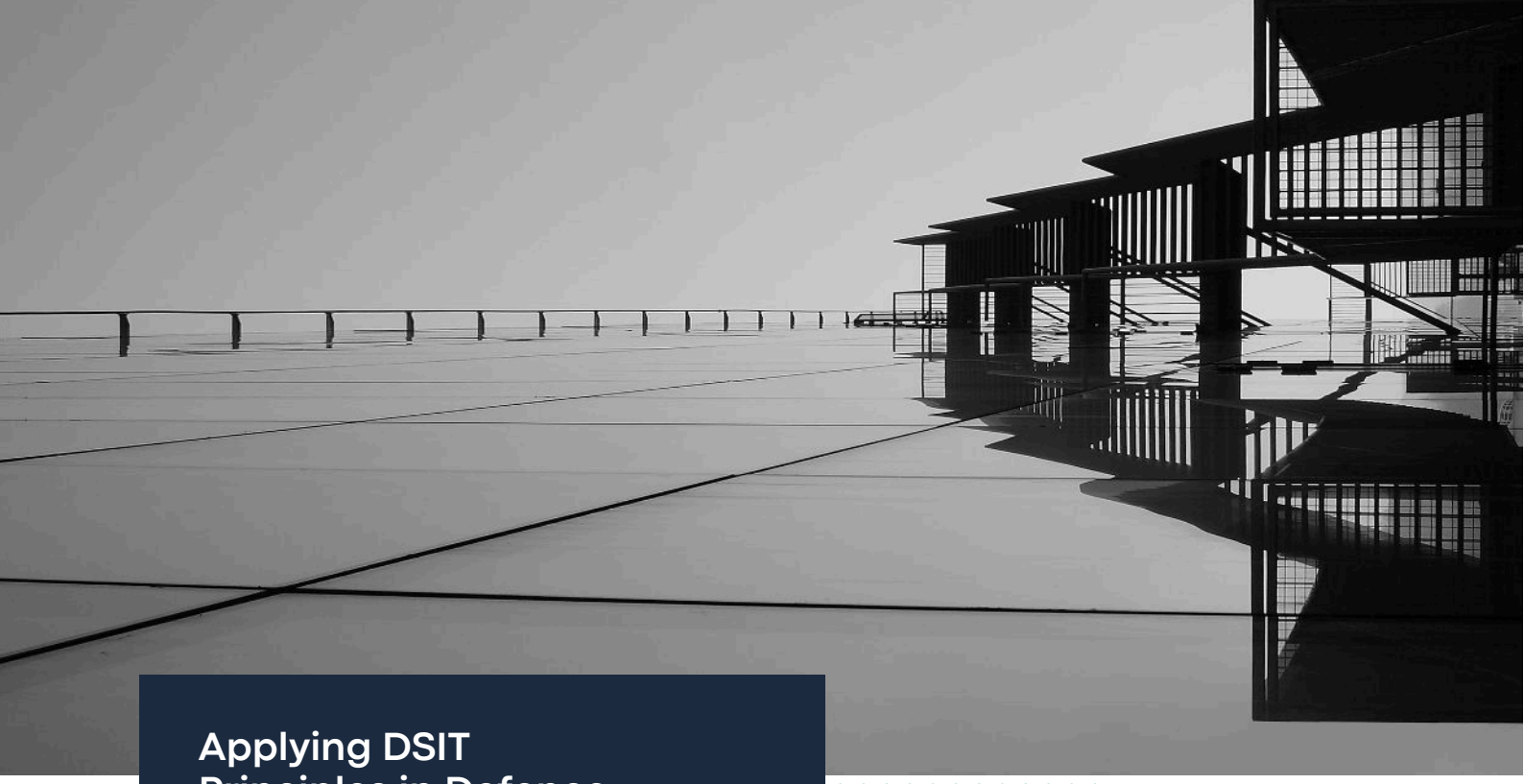
R&D can involve materials, processes, products, or services, which is particularly relevant in the built environment, where innovative materials and processes are common.

DSIT 10

Even unsuccessful projects can be considered R&D if they involve genuine attempts to advance science or technology.

DSIT 13

Technological uncertainty exists when the solution to a problem is not readily deducible by a competent professional, aligning with DSIT 6.



Applying DSIT Principles in Defence

To effectively defend R&D claims, it is essential to integrate DSIT principles into detailed technical narratives of projects.

Industry Benchmarking/Comparisons

Making comparisons with existing industry standards to demonstrate how the project advances beyond current practices.

Documentation of Experimental Processes

Ensuring that all experimental processes and technological uncertainties are well-documented.

Technical Expert Validation

Engaging technical experts to validate the novelty and innovation of the project.

Wilby Jones Enquiry experience

While many companies highlight low enquiry rates and success stories, it's more valuable to demonstrate how we've effectively defended HMRC enquiries in the built environment. With over 200 clients in this sector, we've had the opportunity to navigate complex challenges and emerge with successful outcomes.

Client 1

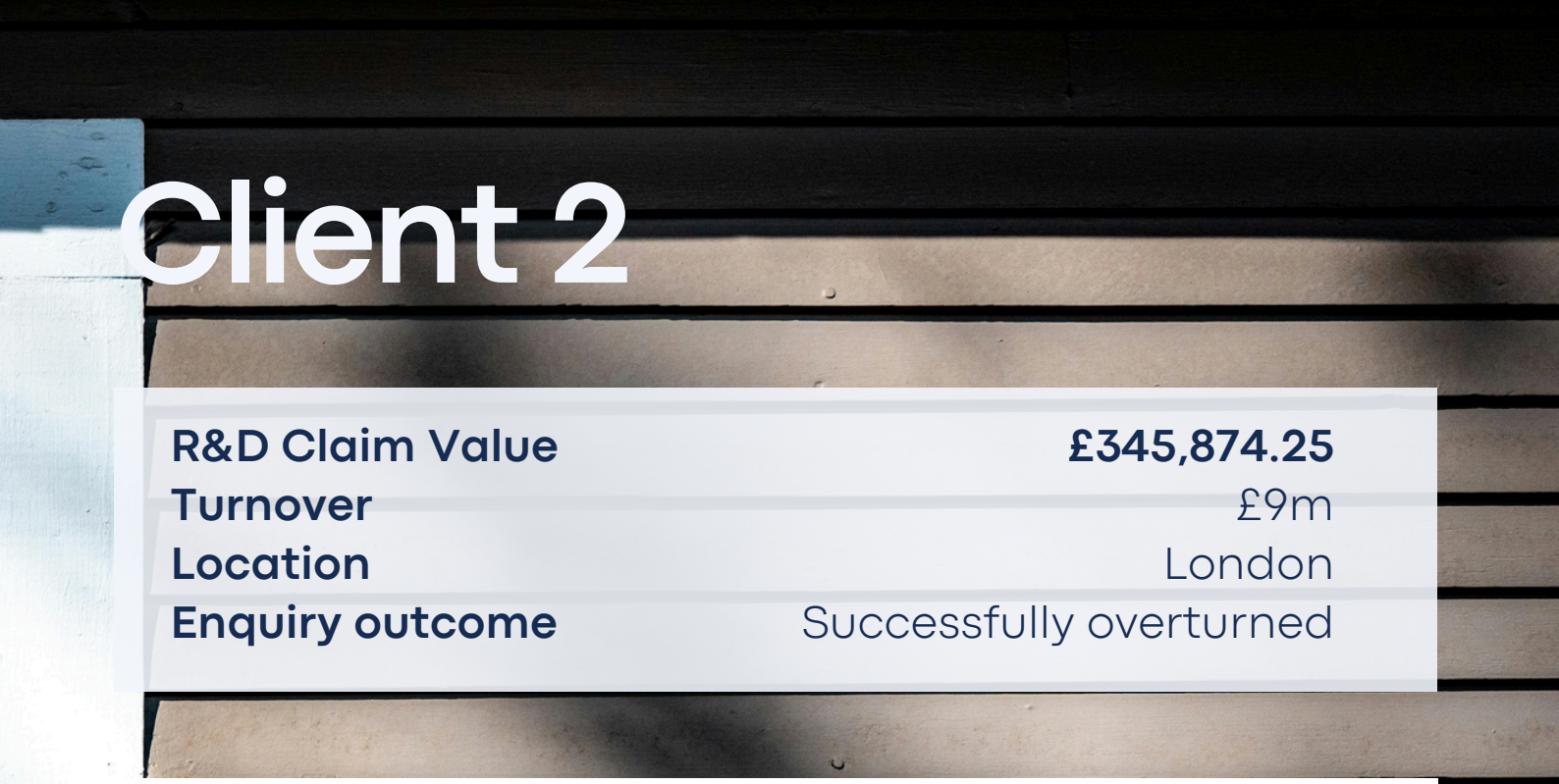
R&D Claim Value	**£360,679.90**
Turnover	£17m
Location	London
Enquiry outcome	Successfully overturned

Opera House on a Sixth-Storey Roof

The development aimed to extend industry knowledge on constructing auditoria above ground level, pushing beyond existing practices. There were no prior examples of building an auditorium above the first floor, let alone on a roof podium, presenting significant technological uncertainty. By demonstrating how this project addressed these uncertainties and advanced industry capabilities, we successfully defended the R&D claim

500-Meter-High Super Tower

The design focused on minimising wind forces and earthquake risks through an innovative corkscrew-shaped tower that was developed specifically to mitigate the environmental risks associated with its location in addition to the integration of low carbon materials. This ambitious project involved experimental approaches with no established methodologies, as a result our client was exposed to a significant amount of risk in the development. We highlighted how this project benchmarked industry capabilities for super tower development, demonstrating its eligibility for R&D relief.



Client 2

R&D Claim Value	**£345,874.25**
Turnover	£9m
Location	London
Enquiry outcome	Successfully overturned

Largest Mass Timber Office Block in the UK

Following the Grenfell Fire, new regulations necessitated a reworking of construction methodologies. Our client developed the largest mass timber office block in the UK, addressing these regulatory changes and pushing industry boundaries. The project involved adapting to more stringent fire regulations and insurer reluctance, which reduced demand for timber structures. By demonstrating how this project innovatively addressed these challenges, we successfully defended the R&D claim.

Sustainable Office Building

The project focused on sustainable design principles for the façade, M&E systems, and material choice, emphasising low embodied carbon and energy efficiency. As the industry moves towards sustainable building design, this project showcased opportunities for innovation in new techniques. We highlighted how these sustainable design elements advanced beyond current practices, supporting the R&D claim.

Innovative Façade Solution

Our client sought to extend an existing building using GRC in an innovative way to reduce material load and enhance energy efficiency while maintaining aesthetics. This solution aimed to achieve additional floors while reducing embodied carbon, demonstrating a novel approach to structural constraints. By detailing how this project overcame technological uncertainties and advanced industry standards, we successfully defended the R&D claim.

Client 3

R&D Claim Value	**£155,877.92**
Turnover	£5m
Location	Manchester/London
Enquiry outcome	Successfully overturned

Energy-Efficient Façade System

The architects developed a technically complex façade to optimize thermal performance without relying heavily on M&E infrastructure. The project included a cutting-edge multistorey car park and a multiuse main building with a 500-person auditorium on the upper floors, presenting significant technical uncertainties in balancing aesthetic and performance requirements. By demonstrating how this project addressed these uncertainties and advanced industry standards, we successfully defended the R&D claim.

Modular Housing Scheme

The project involved designing a highly sustainable, volumetric scheme of 563 homes in a built-up city centre area. At the time, it was recognised as the tallest modular building in the UK, pushing the boundaries of modular design. We highlighted how this project innovatively addressed urban housing challenges, supporting its eligibility for R&D relief.

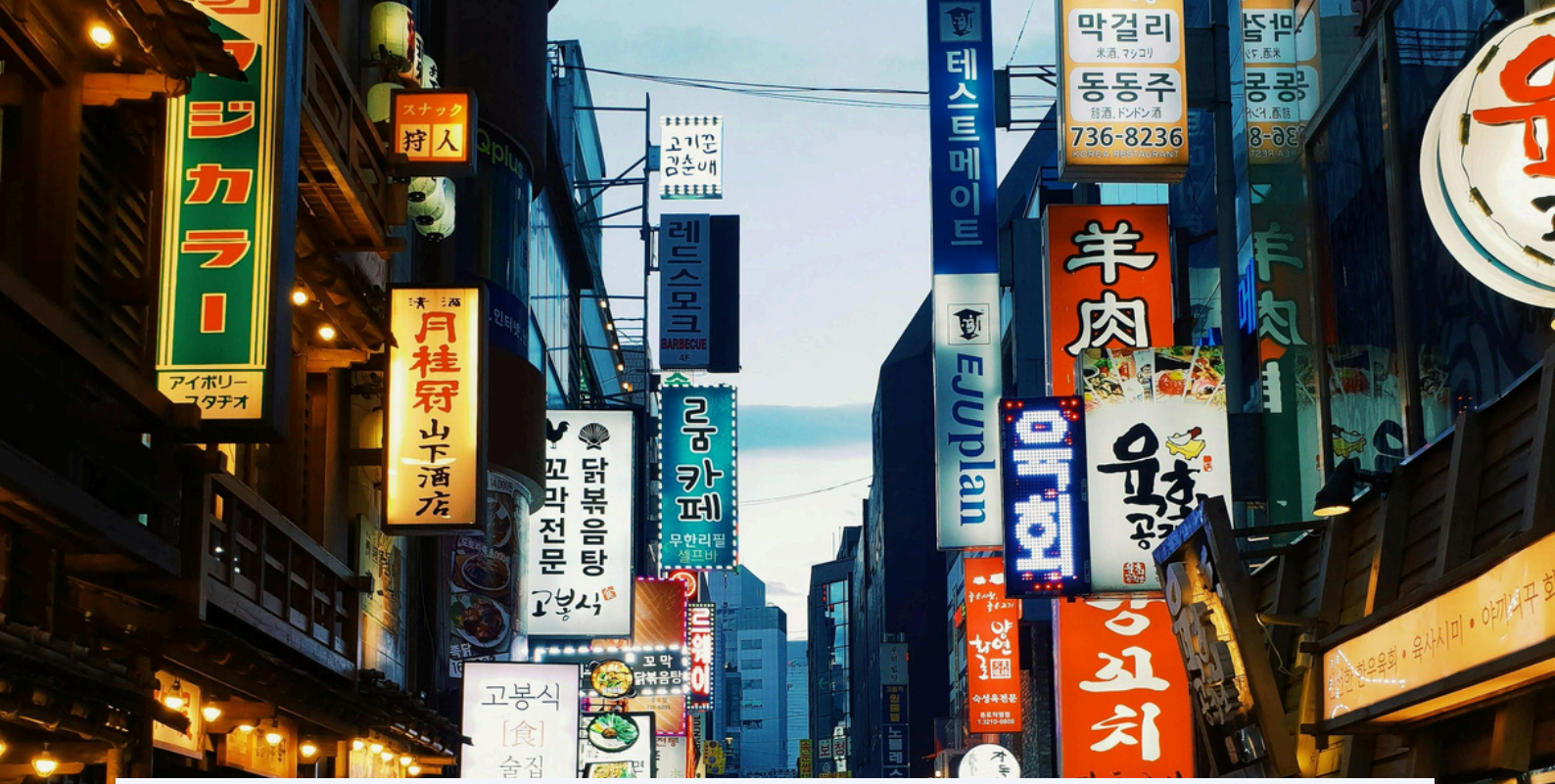
Acoustic Isolation System

This project focused on developing an acoustic isolation system for high-end apartments and a spa situated above the Victoria underground line in London. The proximity to underground lines created significant technological challenges related to vibration. By detailing how this project overcame these challenges through innovative solutions, we successfully defended the R&D claim.

Key Case Examples

There is a strong connection between the R&D tax relief scheme and the architecture industry. In fact, two landmark R&D tax cases (Quinn Construction Limited and Collins Construction Limited) both ruled in favor of the taxpayer, involved the built environment. These cases have significantly influenced how R&D tax relief is interpreted in the UK, particularly within the built environment.

Their importance lies in demonstrating that companies can successfully claim R&D tax relief, even when their R&D activities are part of broader construction projects. HMRC frequently references examples from the built environment, design, and construction industries in its guidance. For instance, its guidance on subcontracting rules includes several construction-related examples displayed on the following pages, highlighting how common R&D activities are in this sector (though not necessarily as direct illustrations of your projects).



Innovating for Foreign Markets

A company is conducting R&D to develop a prefabricated wall panel for an overseas market which has different regulatory standards/ building practices to the UK. Development requires the company to work closely with construction companies local to this market to evaluate the constructability of prototypes. This clearly requires conditions (the presence of alternative construction practices) that are not present in the UK. It would be wholly unreasonable to replicate these conditions in the UK and these conditions exist in places outside of the UK. Therefore, this activity would satisfy CTA09/1138A(2) if undertaken in a location where the necessary conditions arise.

Addressing Parameters in Building Projects

Company A, whose trade is letting accommodation in buildings, commissions Company B, a construction firm, to supply a landmark new building. The building's size, location, and required performance parameters (carbon neutrality, safety features, lifespan etc) mean that company B will need to conduct R&D. While company A appreciates this, it does not, in contract negotiations or the eventual contract itself, specify this work in anything but a general sense. It does not state what it requires to be done or how this should be done (and it neither uses internal expertise nor seeks external input, for example from consultants or partners, on this). What is important to Company A is the result, ie that the building performs as required. In approaching contract negotiations with potential suppliers, Company A takes expert advice on Company B's capability to carry out the required work, looking at their track record and general proposals. But it does not take advice on the detail of the R&D, nor does it plan or scope the R&D and it would not be able, for example, to state what advances might need to be sought or how that is to be done. It does not have an R&D project. Company A is not in a position to intend or contemplate that R&D of a particular "sort" (as referred to in section 1133(2)(c) will be undertaken. In this instance Company A does not therefore meet the definition for contracting out R&D and any claim would rest with Company B.

Contracting Out Net Zero Design Elements

Company A is a construction company albeit one that does not have the required resource to design elements of the landmark building in Example 2a which meet certain net zero criteria, then where competent professionals of company A input into the contractual requirements for the work contracted out to Company B, this may be considered evidence that Company A was clearly intending or contemplating R&D was required (on the basis that those individuals providing input from Company A are considered to be competent professionals in the specific area of R&D that will be undertaken by Company B).

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