



Finance Bill 2022 Insights

New Refundable R&D Tax Credit Payment Mechanism

The R&D tax credit provides for a credit of 25% on qualifying expenditure on R&D. Where this credit is available as a cash refund it is typically paid out in three instalments spread over three years.

As part of Finance Bill 2022, amendments were made such that the repayable R&D tax credit could be available to a wider cohort of companies, while also allowing more of the credits to be available to claimants in the first and second instalments.

The latest statistics from 2020 show that over €250M of credits were claimed in the form of a repayable credit and so this amendment should act to increase cash flow for a significant number of companies making R&D tax credit claims.

The new changes in Finance Bill 2022 can be applied to accounting periods commencing on or after 1st January 2022 and we have set out two useful examples highlighting the differences in timing of refundable credits between the in-situ and new repayment mechanism.

Example 1:

R&D tax credit of €300,000 available as a cash refund

Example Periods	01/01/2019 – 31/12/2019 (Old repayment mechanism)	01/01/2022 – 31/12/2022 (New repayment mechanism)
Repayable R&D Tax Credit Amount	€300,000	€300,000
1st instalment	€99,000	€150,000
2nd instalment	€100,500	€90,000
3rd instalment	€100,500	€60,000

In this example, 50% of the credit is receivable in the 1st instalment (i.e. €150,000), historically this was restricted to 33% of the credit (i.e. €99,000).

Overall, between the 1st and 2nd instalment 80% of the repayable credit is receivable, versus 66.5% historically.

Example 2:

R&D tax credit of €25,000 available as a cash refund

Example Periods	01/01/2019 – 31/12/2019 (Old repayment mechanism)	01/01/2022 – 31/12/2022 (New repayment mechanism)
Repayable R&D Tax Credit Amount	€25,000	€25,000
1st instalment	€8,250	€25,000*
2nd instalment	€8,375	-
3rd instalment	€8,375	-

*Under the new R&D tax credit repayment mechanism it is possible to claim up to €25,000 of the repayable credit back in year one, resulting in a significant acceleration of the refund for claims such as that set out in this example.

Additional Changes

Further changes have also been introduced including the ability for pre-trading R&D tax credits to be claimable as refundable credits, companies to request that the credit be offset against other tax liabilities, and existing caps on the payable element of the credit being removed.

Should you wish to discuss how these changes might positively impact on the refundable credit, or timing of its availability, for your organisation just let us know.

For further information please contact,



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