THE COMPLETE GUIDE TO R&D TAX CREDITS

2026 EDITION

LEYTON

INTRODUCTION

WELCOME TO THE COMPLETE GUIDE TO R&D TAX CREDITS

Every year, Research and Development (R&D) Tax Credits benefit hundreds of businesses in Ireland.

Launched in 2004, the scheme lets any company liable for Corporation Tax (CT) claim a credit or cash rebate for its eligible R&D activities. Today, the tax credit is worth up to 30% of qualifying expenditure (rising to 35% for accounting periods starting on or after 1 January 2026), which you can claim on expenses such as staff costs, materials, and plant and machinery.

The financial benefit can be huge, de-risking investment in R&D so that businesses can experiment and develop innovative solutions to overcome scientific and technical challenges. For many, the money can make a world of difference in terms of funding new projects and driving growth.

And yet, too many companies are still missing out on the benefits. There is a lingering perception that claiming is either too complex or too time-consuming to make it worthwhile. Others are simply worried about making a mistake and don't want to risk being penalised by Revenue. A worrying number also don't realise that their hard work is eligible for tax relief!

If you're reading this guide, you're probably thinking of claiming R&D Tax Credits for the first time. Or perhaps you're looking for advice on how to really maximise your claim so that you don't miss out on any savings. For either case, you're in the right place.

This booklet has been written to give businesses like yours a solid understanding of the R&D Tax Credit scheme in Ireland. You'll find clear explanations of which R&D activities qualify as well as best practice advice for preparing a robust claim.

For those not sure if your projects qualify for relief, these pages will help you understand what Revenue is looking for so that you can approach your claim with complete confidence.

We hope you find it useful but if you have any questions, please just let us know.

We're here to help.

UNDERSTANDING R&D IN 2026

For many years there was a single tax credit scheme available for research and development projects in Ireland, which reduced a business's Corporation Tax bill.

But for accounting periods starting on or after 1 January 2023 a new R&D Corporation Tax Credits scheme was created. Previously, a company either took the credit as an offset against CT liability, or as a cash rebate if not liable for corporation tax. The new scheme now lets a company choose the manner in which the tax credit is received (i.e., credit or cash).

Instead of directly reducing a company's Corporation Tax liability, the new R&D Corporation Tax Credit is paid out in three instalments over three years, unless the credit is below a certain threshold, in which case, the full credit is paid upfront.

- **YEAR ONE:**

  For accounting periods starting on or after 1 January 2025:
  Companies with an R&D credit of under €75,000 receive their full refund paid in their first year. Claims over €75,000 will receive a 50% refund (or €75,000, whichever is greater).

  For accounting periods starting on or after 1 January 2026:
  Companies with an R&D credit of under €87,500 receive their full refund paid in their first year. Claims over €87,500 will receive a 50% refund (or €87,500, whichever is greater).

- **YEAR TWO:**
  The second installment is 60% of the remaining balance.

- **YEAR THREE:**
  The last installment is the remaining balance.

EXAMPLE:

For accounting periods starting on or after 1 January 2025:

If your company claims €15,000 you would receive the full R&D Corporation Tax Credit in your first year. If you claimed €150,000 you would receive €75,000 in year one, €45,000 in year two, and €30,000 in year three.

For accounting periods starting on or after 1 January 2026:

If your company claims €15,000 you would receive the full R&D Corporation Tax Credit in your first year. If you claimed €150,000 you would receive €87,500 in year one, €37,500 in year two, and €25,000 in year three.

HOW MUCH IS THE CREDIT WORTH?

For accounting periods commencing on or after 1 January 2026, the credit rate increases from 30% to 35% of qualifying expenditure.

This is in on top of the standard trading deduction, so there is a potential net subsidy of:

- **2025:** 42.5%
  (12.5% CT deduction + 30% R&D Tax Credit)
- **2026:** 47.5%
  (12.5% CT deduction + 35% R&D Tax Credit).

CLAIMING R&D TAX CREDITS

You can claim R&D Tax Credits if you currently pay Irish Corporation Tax (CT), as long as you have a qualifying project. So, what qualifies?

TO QUALIFY:

- The applicant must be a company
- The company must pay Irish tax
- The R&D must take place within the EEA or the UK
- The company must not be claiming R&D tax relief from any other country.

QUALIFYING ACTIVITIES MUST:

- Be systematic, investigative, or experimental in nature
- Fall within the field of science or technology
- Involve either basic research, applied research, or experimental development
- Aim to achieve scientific or technological advancement
- Resolve a scientific or technological uncertainty.

WHAT EXPENSES QUALIFY FOR RELIEF?

Revenue says that qualifying R&D expenses are limited to "the carrying on" of qualifying R&D activities. This essentially means that expenses must be directly and actively involved in the R&D process itself. While the definition is quite specific, most innovative businesses are able to claim for a broad range of expenditure on their R&D work.

Our infographic explainer below lists all of the different expenses that qualify for relief.

EXPENSE	DESCRIPTION
Employee costs	Employee costs, including salaries, employer PRSI, bonuses, pension contributions, health insurance, and other benefits dedicated directly to employees working on qualifying R&D activities can be claimed. These costs must be apportioned to reflect the balance of R&D effort.
Overheads	Overheads used (e.g. gas or electricity) qualify, but they must be directly connected to the R&D activity.
Raw materials	The cost of materials and supplies consumed directly during R&D are eligible, but only after removing the saleable element (i.e. the materials must only be used for testing and prototyping and not sold). Where there is a saleable product at the end of the R&D, you must deduct the lower amount of either the original material cost or the potential resale value.
Subcontracting	Companies can claim for subcontracted work under specific circumstances (see below for more details).
Agency staff	Companies can claim for agency staff.
Individual consultants	Costs incurred related to individual consultants who are hired on a part-time or short-term basis to undertake subcontracted activity can be treated as part of the direct employee costs of the company and not as agency staff provided certain conditions are met (see below for more details).
Employee secondment	Seconded employees can be treated as direct employees as long as they work in Ireland, have specialist R&D knowledge, and their work directly contributes to the R&D activity.
Rental costs	Rental costs may be eligible but only if they meet certain requirements. If the rented space is simply an area where R&D takes place alongside other activities (e.g. an office or manufacturing facility), the expenditure is not eligible. However, if the space is specialised (e.g. a laboratory, clean room, or technically unique area) and the nature of the room is integral to carrying out R&D, then the rental costs are eligible. You can only claim for the proportion of the building used directly for your R&D project.

Cloud computing costs	Cloud computing costs incurred for the qualifying R&D activity are eligible for R&D tax credits.
Software	Software development is eligible as long as it systematically resolves a scientific or technical uncertainty and directly contributes to a scientific or technical advance. Any routine development or testing isn't eligible.
Royalty payments	Expenditure on royalty payments may qualify provided they are for the purposes of R&D. Expenditure is not allowable where it includes amounts paid to connected persons and which is income from a qualifying asset for the purposes of the Knowledge Development Box (KDB) for the recipient.
Buildings and structures	Cost for construction or refurbishment of a building can be claimed if the building qualifies for industrial allowances. At least 35% of the building must be used for R&D activities (if the building has mixed use, costs must be apportioned appropriately). Clawback will apply if the building is sold or stops being used for R&D within 10 years of the R&D claim.
Plant and machinery	Plant and machinery costs are eligible if they qualify for Capital Allowances. The R&D Tax Credit is claimed on the depreciation of these costs, which must be apportioned appropriately over the equipment's useful life to reflect the time used for R&D.

HOW DOES APPORTIONMENT WORK?

Qualifying costs must be apportioned reasonably.

For example, if an employee spent 50% of their time on R&D and 50% of their time on other projects, then half of their staff costs can be claimed.

SUBCONTRACTING

You can claim for subcontracted R&D work under the following circumstances:

SUBCONTRACTING TO UNIVERSITIES OR OTHER BUSINESSES

A company can subcontract qualifying R&D activities to universities or institutes of higher education from either within the EEA or the UK . If they do so, they can claim a tax credit of up to the greater of 15% of their own R&D spending or €100,000 annually.

SUBCONTRACTING TO OTHER BUSINESSES OR AGENCIES

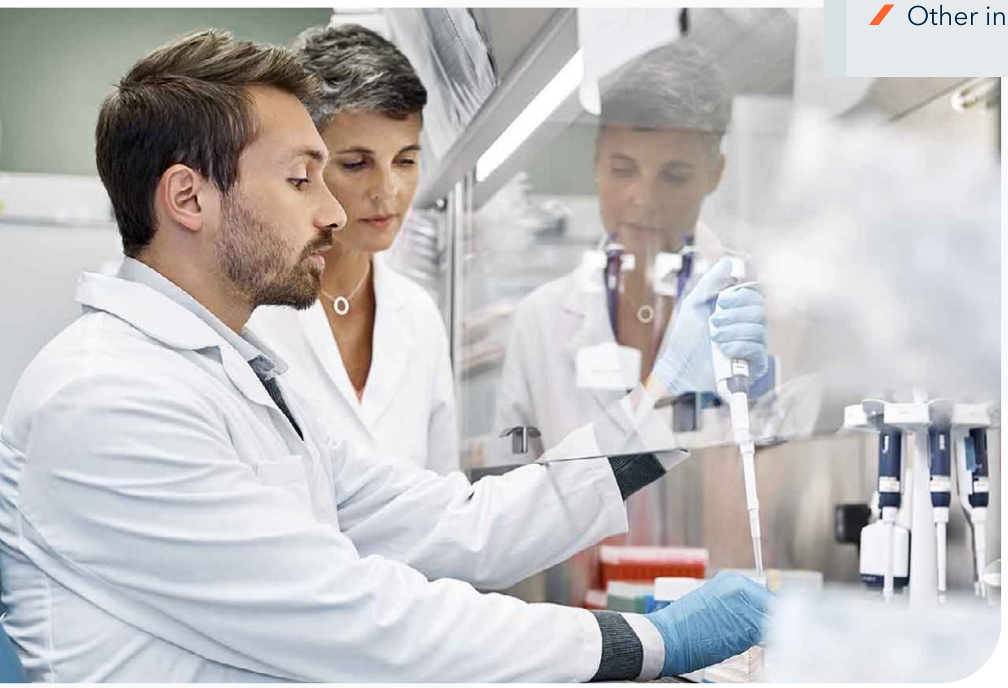
A company can claim costs incurred when subcontracting qualifying R&D activities to another business or using agency staff, as long as the subcontractor isn't a connected party. The R&D Tax Credit is again limited to the greater of 15% of the company's own R&D expenditure or €100,000 annually, subject to the company incurring at least the same level of expenditure on qualifying activity which it carries out itself. If an Irish company contracts an Irish subcontractor, they must notify that subcontractor, in writing, prior to settling their invoice, that they are going to claim that cost for R&D Tax Credits.

INDIVIDUAL CONSULTANTS

Companies can treat individual consultants subcontracted for R&D activities as direct employees for the purposes of claiming expenses, provided they are working under the company's control and direction, and they are based on the company's premises. Their role must be to provide specialist R&D knowledge that cannot be supplied by your current team and their contract must be limited to 6 months or less.

There are some general overhead costs that you cannot claim R&D Tax Credits for. These include:

- Recruitment
- Insurance
- Travel
- Maintenance
- Broadband and telephone costs
- Bank charges
- Other indirect overheads



CALCULATING R&D TAX CREDITS

The below should help you assess how much tax credit the company will receive for the following levels of Qualifying R&D Expenditure (and also when the R&D tax credit will be received):

EXAMPLE 1:

YE 31 DEC 25: TAX CREDIT LESS THAN €75K

If a company incurs €100k of Qualifying Expenditure in the YE 31 Dec 25, it will receive a tax credit of €30k and, as that is less than the €75k first instalment threshold, it will receive the full payment when the CT1 is submitted for the YE 25.

R&D Tax Relief for Year ended 31 December 2025

Qualifying expenditure	Total Amount	% Qualifying	Qualifying Expenditure
Staffing Costs	€500,000	20%	€100,000
Total	€500,000		€100,000
Total qualifying expenditure			€100,000
Tax Credit	30%		€30,000
	1st Instalment	**2nd Instalment**	**3rd Instalment**
FY25	€30,000	€-	€-

EXAMPLE 2:

YE 31 DEC 25: TAX CREDIT GREATER THAN €75K

If a company incurs €500k of Qualifying Expenditure in the YE 31 Dec 25, it will receive a tax credit of €150k and, as that is greater than the €75k first instalment threshold, it will receive 50% of the tax credit when the CT1 is submitted for the YE 25, 60% of the remaining credit (€75k * 60% = €45k) when the CT1 is submitted for the YE 26, and the remaining credit €30k when the CT1 is submitted for the YE 27.

R&D Tax Relief for Year ended 31 December 2025

Qualifying expenditure	Total Amount	% Qualifying	Qualifying Expenditure
Staffing Costs	€2,500,000.00	20%	€500,000.00
Total	€2,500,000.00		€500,000.00
Total qualifying expenditure			€500,000.00
Tax Credit	30%		€150,000.00
	1st Instalment	**2nd Instalment**	**3rd Instalment**
FY25	€75,000.00	€45,000.00	€30,000.00

EXAMPLE 3:

YE 31 DEC 26: TAX CREDIT GREATER THAN €87.5K

If a company incurs €500k of Qualifying Expenditure in the YE 31 Dec 26, it will receive a tax credit of €175k (as the tax credit rate will be increased to 35% for accounting periods beginning on / after 1 January 26) and, as that is greater than the €87.5k first instalment threshold, it will receive 50% of the tax credit when the CT1 is submitted for the YE 26, 60% of the remaining credit (€87.5k * 60% = €52.5k) when the CT1 is submitted for the YE 27, and the remaining credit €35k when the CT1 is submitted for the YE 28.

R&D Tax Relief for Year ended 31 December 2026

Qualifying expenditure	Total Amount	% Qualifying	Qualifying Expenditure
Staffing Costs	€2,500,000.00	20%	€500,000.00
Total	€2,500,000.00		€500,000.00
Total qualifying expenditure			€500,000.00
Tax Credit	35%		€175,000.00
	1st Instalment	**2nd Instalment**	**3rd Instalment**
FY26	€87,500.00	€52,500.00	€35,000.00

PRE-NOTIFYING REVENUE COMMISSIONERS

First-time claimants and those who haven't claimed in the last three years must pre-notify Revenue of their intention to claim.

The deadline for submitting the pre-filing notification form (PFN) is at least 90 days before the claim is submitted to Revenue. Claims must be made within 12 months from the end of the relevant accounting period.

To complete your pre-filing notification you'll need (s766C pre-filing form):

- The accounting period for your R&D projects
- The estimated number of employees working on R&D projects
- The estimated number of R&D projects
- Details of any R&D expenditure that was or will be paid for by a grant or other type of financial assistance
- Brief descriptions of qualifying R&D projects and activities
- Any other information relevant to your claim
- A signature from an authorised representative of the company

To complete your pre-filing notification you'll need (s766D pre-filing form):

- Confirmation that the building or structure is a qualifying building
- The proportion of the qualifying building that will be used for R&D
- Details of any R&D expenditure that was or will be paid for by a grant or other type of financial assistance

The difference between s766C and s766D is the type of qualifying R&D expenditure, s766D relates to an R&D tax credit claim related to Buildings and Structures, whereas, s766C relates to all other types of other qualifying R&D expenditures (i.e. staff costs, subcontracting, etc).

To be eligible, you'll need to confirm that the building is used for R&D activities for at least 35% of the time over four years.

PREPARING FOR AN R&D TAX CREDITS CLAIM

TO PREPARE YOUR CLAIM, YOU'LL NEED TO HAVE THE FOLLOWING:

COMPANY DETAILS

- Name
- Address
- Corporation Tax number

R&D DETAILS

- Amounts of the 1st, 2nd and 3rd instalments being claimed
- Whether instalments are to be paid or treated as an overpayment of tax
- A breakdown of qualifying expenditure for each project itemised by:
  - Plant and machinery costs
  - Staff costs (e.g. salaries, pension contributions, etc)
  - Other eligible R&D expenses
  - Buildings/structures used for R&D
- Details of any non-refundable credits to be carried forward
- R&D project details (the technical report)

WHAT SHOULD BE INCLUDED IN TECHNICAL REPORTS?

Your technical report is how you justify the expenses your company is claiming for.

For all of your R&D projects, you'll need to provide details of the following to pass Revenue's science and accounting tests:

SCIENCE TEST

- A detailed description of all R&D activities
- The field of science or technology that your project relates to
- The advancement you aimed to achieve
- The scientific or technological uncertainties that you faced
- The baseline (i.e. existing) level of science or technology
- Systematic, investigative or experimental activities
- Results and conclusions
- A list of skills & experience for team personnel (project manager & personnel)

ACCOUNTING TEST

- A timeline for the R&D project
- A project plan and details of progress made against the plan
- A list of project personnel, including amounts of time each spent on the project
- Locations where R&D took place and an apportioned breakdown of utilities costs
- Details of work completed by universities or institutes of higher educations (including costs)
- Details of work completed by subcontractors (including costs)
- Apportionment methodology

PROTECTING AGAINST A REVENUE AUDIT

You might face an audit for several reasons related to your R&D claim, but it's important to remember that most checks are either a simple request for further information or are triggered by errors rather than deliberate action.

Make sure that you don't leave out any important details while preparing your claim, however in the event of an audit, don't panic! If you have kept good records of your work, you'll be able to defend yourself from any compliance intervention.

Should you face a compliance check, Revenue will audit your claim against the science and accounting tests (mentioned above). The best way to ensure that your claim is compliant is to keep detailed records and evidence of your work.

> When you partner with Leyton, audit defence for your R&D claim comes as standard. This means you would be fully supported should Revenue raise any questions, giving you complete peace of mind.

EXAMPLES CAN INCLUDE:

- Project plans
- Emails
- Timesheets
- Competitor analysis
- Test logs
- Test reports
- Datasets
- Design briefs
- Completed designs
- Meeting notes
- Invoices & receipts

Revenue will need to see that every document has an author and date of creation.

> **"Don't leave money on the table because of a fear of a Revenue audit. Leyton are so thorough they ensure what can and can't be included so that they mitigate the risk. If you're doing R&D, you should be claiming R&D Tax Credits with Leyton."**

Sandra Byrne
Managing Director,
EliteForm Manufacturing

HOW LEYTON CAN HELP

At Leyton Ireland, our goal is to help innovative companies, like yours, thrive. We want to make sure that you're not missing out on financial relief to which you're fully entitled.

The benefit can make a huge difference, helping to boost cash flow and fund further expansion, employee training or even more investment in R&D.

Our process is simple:

1

INTRODUCTION

First, you'll meet our consultancy team while we meet your key stakeholders. After this we'll carry out an initial eligibility review, and then agree on timelines for preparing and submitting your claim.

2

TECHNICAL SCOPING

Next, we'll take a closer look at your innovative work. We'll review and discuss all of your potential R&D projects, then select the most representative examples to support your claim.

3

FINANCIAL DISCOVERY

Once the technical scope has been confirmed, we'll turn to the numbers. Our specialists will walk you through each qualifying expenditure category, so that we can gather the right financial data and supporting documentation for your claim.

4

CLAIM PACKAGE

We'll compile all of the necessary technical and financial documentation for making a robust claim. We'll also conduct a full internal quality review to make sure everything meets Revenue's strict requirements and answer any remaining questions that you may have.

5

SUBMISSION

When the documentation is fully signed off, we'll guide you through the whole submission process. We'll confirm your preferred R&D Tax Credit payment or offset option, and then provide you with full support throughout the submission and follow-up stages.

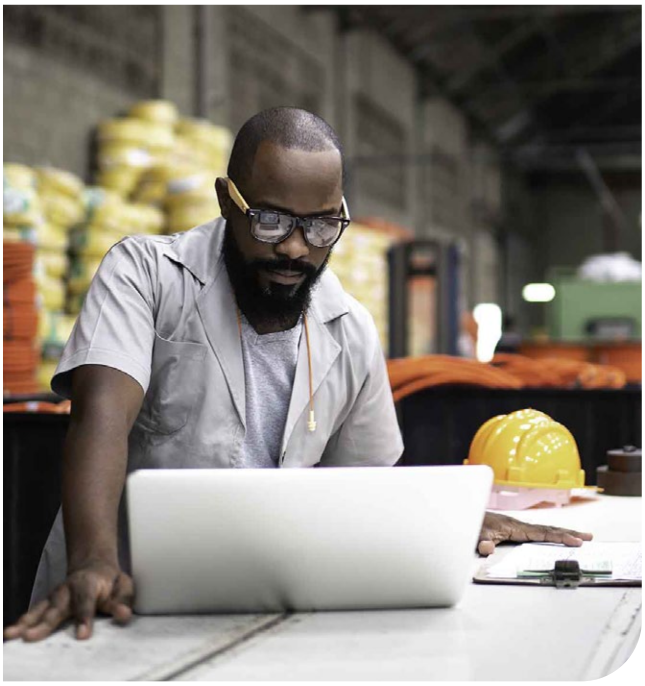
GET IN TOUCH

By following the advice within this guide, you'll be able to stay compliant and maximise your relief. We speak from experience. As a global innovation funding consultancy, we've supported more than 50,000 businesses worldwide.

But we know that every company is unique, especially when it comes to innovation. If you have a question about anything related to your own R&D projects, don't hesitate to reach out.

We'd love to hear more about what you're working on.

Chat with our team



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Despite Ireland's highly favourable R&D Tax Credit scheme, fewer than 1% of businesses take advantage of it, a figure well below the 4% average across the EU and beyond.*

As the rate has increased to 35% from Jan 2026, this is a fantastic opportunity for naturally innovative companies to receive a potential cash injection into their business, helping them to both insulate against future shocks but also invest in future innovations. As a global incentives consultancy, with a particular expertise on R&D tax schemes around the world, Leyton is uniquely placed to help Irish businesses exploit this opportunity, in an accessible and fully compliant manner."

Darragh Gaffney
Irish Business Lead

**Source: Revenue Commissioners, Research & Development ("R&D") Tax Credit Statistics, May 2025.*

www.leyton.com/ie
contact_IE@leyton.com

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