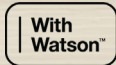




A recipe for savings

KPMG Research Credit Services with IBM Watson bring efficiency to the R&D tax credit process.



Client challenge

The research and development (R&D) tax credit is a significant opportunity for companies to lower their tax liability and improve cash flow; however, the resources and time required to produce documentation are burdensome. A multinational consumer foods manufacturer looked to KPMG to help it overcome barriers that prevented them from previously taking full advantage of the R&D tax credit, including:

Business disruption

The company was spending significant time extracting and transforming data into the required format for R&D tax credit documentation. Technical teams running projects were needed to identify, transform, and supply the required voluminous data maintained on disparate systems, which was not an efficient use of their time.

Qualifying eligible activities

Identifying the right subject matter experts for interviews and scheduling time with them to gain their insights and details on the various R&D activities they conducted was often the only way to identify eligible tax credit activities and associated expenses. But these interviews, the necessary preparation beforehand, and subsequent follow-up requests took them away from their current work.

Preparing quality data to substantiate the claim

Reviewing existing contemporaneous technical documentation against the definition of “qualified research” to verify that various activities and projects qualify for the credit is complex and laborious even for tax professionals. The company lacked the sophisticated technologies needed to quickly review and understand vast amounts of data, much of it unstructured, over a span of years.



Benefits to client

The extensive knowledge and experience of the KPMG Tax team helped the client redefine how they could capture the benefits of the R&D tax credit. The new processes, coupled with the use of IBM Watson®, captured a higher tax benefit while introducing efficiencies. IBM Watson brings natural language processing, machine learning, intelligent automation, and cognitive computing to the credit claim process. The combination of KPMG Research Credit Services and Watson has resulted in far less disruption to the client’s research, engineering, and tax teams.

The company was able to recognize:

Reduced business disruption and significant time saved

Each year, the company disrupted its ongoing and critical research and development activities and projects. A team of 30 had to devote time to the analytical R&D tax credit process. By leveraging Watson to help analyze documents, KPMG was able to reduce the business impact of the filing, which resulted in savings of approximately 120–180 hours.

Larger tax credit

Through skilled analysis by KPMG of the company's R&D tax credit eligible activities and expenditures, the company realized a significant increase to their R&D tax credit compared to the prior year. Through leveraging Watson, the KPMG team was able to document and substantiate the significantly increased R&D tax credit without a significantly increased impact to the company's stakeholders.

Savings from previous filings

Based on the success of the tax credit increase and process efficiencies in year one, the client engaged KPMG to perform an analysis of previous R&D claims. The results: limited impact on business stakeholders, better claim substantiation, and larger tax credits than originally claimed.



KPMG approach

KPMG is an industry leader in enhancing R&D credit processes. KPMG trains Watson to enhance, scale, and accelerate tax credit preparation with greater confidence. KPMG Tax professionals then review Watson's findings from high to low priority, approve or reject each finding, add notations, and highlight additional findings in documents. Transactions are reviewed and analyzed against tax rules and supported by a confidence score and evidence-based reasoning that uses KPMG proprietary tax rules, interpretations, and knowledge of the tax law. As a result, the client was able to build a more robust, Internal Revenue Service (IRS) ready, R&D tax credit deliverable.

KPMG insights

The R&D tax credit is more expansive and beneficial than companies realize.

Any company involved in developing or improving its products, services, or technologies may qualify for the R&D tax credit. But many leaders don't realize how beneficial claiming it can be—and they don't necessarily see beyond the complex eligibility requirements to take full advantage of it. Our goal is to improve the ROI of our clients seeking to claim the R&D tax credit—in part by reducing disruption to their business during the required analytical processes.

Cognitive analytics and reasoning tools augment tax professionals to drive ROI.

The R&D tax credit includes some of the most complex filing requirements. The time it takes to gather documents and conduct interviews can disrupt engineering and other technology teams. KPMG Research Credit Services offers companies the ability to review and analyze more R&D project documents, possibly discover unknown credits, and complete highly involved IRS deliverables at speed.

To learn more about how the KPMG dedicated Research Credit Services team coupled with IBM Watson can help you increase the amount of R&D income tax credits, please visit www.kpmg.us/alliances/kpmg-ibm/research-credit-services-ibm-watson.html.

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