

Research Allowance in the Focus of Tax Audits and Tax Investigations

October 2026



Current investigations give reason to critically review research allowance applications and the underlying documentation. In case of inconsistencies, acting early can be decisive.

01 What the research allowance requires

02 Service providers do not replace your own complete review

03 Where typical errors occur

04 What consequences errors can have

05 What companies should do now

06 Conclusion

Dear readers,

the research allowance supports companies with research and development projects. Applications are frequently prepared with the support of specialized service providers (funding consultants).

The research allowance is a tax incentive and is currently a focus of tax audits. The applications and the underlying documentation are being examined closely, and the funding consultants are also under increased scrutiny by the authorities.

Press reports show that audits have led to criminal tax proceedings because applications contained incorrect information or the required documentation could not be provided. Searches of funding consultants and their clients took place in particular in Baden-Württemberg and Bavaria.

The known investigation proceedings against funding consultants concern in particular the question of whether consultants helped their clients obtain unjustified tax advantages by applying for the research allowance.

If a funding consultant comes into the focus of the authorities, this frequently leads to investigations of its clients as well. Investigations of clients sometimes follow many months after the investigation of the funding consultant itself.

In particular where external consultants prepared the application and the review of eligibility as well as the required documentation were not accompanied by a qualified tax advisor, we strongly recommend reviewing the documents thoroughly now and – if necessary – acting at short notice.

1. What the research allowance requires

Not every product improvement or digitalization already constitutes **eligible research and development**. The project must aim at **new knowledge** or a **significant technical improvement**. In addition, there must be **scientific or technical difficulties** whose solution is not yet known at the outset. The work must follow a **comprehensible plan**.

A project is therefore not eligible simply because it is **new, expensive or economically risky** for the company. The introduction of standard software, ordinary customer adaptations or regularly recurring improvements are generally not sufficient. By contrast, the development of a new technical solution approach and the tests and prototypes required for it may be eligible. **The specific work performed is decisive.**

The application is made in **two steps**. First, the **Research Allowance Certification Body** (Bescheinigungsstelle Forschungszulage, BSFZ) assesses the described project. The company then applies **to the tax office** for the allowance for the eligible costs actually incurred.

A positive project certificate therefore does **not yet confirm the amount of the research allowance**. In particular, the working hours and personnel costs claimed must be separately and comprehensibly evidenced. These may later be reviewed in a **tax audit**.

2. Service providers do not replace your own complete review

Funding consultants frequently help to identify suitable projects and to present technical matters in an understandable way.

In some cases, their fee depends on a positive certificate or on the amount of the allowance ("success-based fee").

In the ongoing proceedings, the investigating authorities allege, among other things, that success-based fees created economic incentives to include projects and expenses as comprehensively as possible, and that in some cases unjustified tax advantages were obtained.

A success-based fee is not harmful in itself, and funding consultants play an important role as advisors.

However, companies should pay particular attention to ensuring that under no circumstances are applications filed in which a project description is incorrect or goes beyond the work actually performed **and documented**.

The responsible employees should therefore specifically **review the content of the application documents and, where appropriate, involve a qualified tax advisor**:

Did the described technical difficulties actually occur? Were the stated tests carried out? Are the project periods and persons involved correct? Development, HR and financial accounting must review **together** which employees actually participated in the research work and when, and which personnel costs are attributable to it.

Important: Engaging a service provider **does not release the company** from its obligation to ensure the accuracy of its information and to keep the required documentation and evidence available.

3. Where typical errors occur

A common error is treating **all work on a product** as research and development. However, a development project may also include ordinary adaptations, production preparation or sales activities. Such activities do not become eligible merely because they belong to the same overall project.

Often, eligibility is also not examined in detail, namely whether the applicant actually conducts **in-house research and development** and whether the project began after 01 January 2020.

Furthermore, the company must not be an undertaking in difficulty pursuant to the GBER (AGVO) and the supplementary criteria of the BMF circular.

Documentation and allocation of employee hours is particularly important. If an employee works both on an eligible development project and in day-to-day business, their wages may not be claimed without a reliable basis. **A general statement that, for example, the development department works 80 percent on research is not sufficient.**

According to the requirements of the tax authorities, it must be traceable for the relevant working days **which employee worked how many hours on which eligible project. Vacation, illness and other absences** may not be recorded as research hours actually worked. The calculation must also match the **individual payroll records**.

No specific time recording program is prescribed. Own electronic records or paper records may also be suitable if they clearly and promptly evidence the hours worked. In particular, the tax authorities' model timesheets may be used.

It is important that the recording is **GoBD-compliant**, i.e. it must be

- **traceable,**
- **unalterable,**
- **complete,**
- **timely and**
- **verifiable.**

Project reports, test protocols, ticket systems and a personal calendar can additionally support the information. An hours overview prepared only at a later date is critical and is generally not accepted by the tax authorities.

Further errors can arise if the same costs have already been taken into account in **another funding program** (keyword: double funding).

For commissioned development services, an **invoice alone** is also not sufficient: the contract and the description of services must show which research work was actually commissioned. In addition, special requirements apply to the contractor.

Changes in the course of the project must not be overlooked either. If the project is carried out materially differently than originally described, it must be examined whether the existing certificate still covers the work actually performed. The same applies if the costs or the time frame deviate significantly from what was originally stated in the application to the certification body.

4. What consequences errors can have

If the requirements or costs cannot be sufficiently evidenced, the research allowance may be **reduced or even reclaimed in full**. In addition, **interest** is charged on the amount to be repaid.

From a criminal law perspective, **intentional tax evasion may possibly come into consideration if deliberately false information** is provided or incorrect information is knowingly adopted. The same applies if the incorrectness and the resulting research allowance received in an unjustified amount are **accepted with conditional intent** – for example, if information on personnel costs is adopted into an application unchecked despite missing time records.

Even without a successful approval, a **criminal attempt** may already exist.

In addition, **gross negligence** (recklessness) in the application process can result in an **administrative fine**.

The fact that one relies on a service provider is not a decisive argument for releasing the applicant from liability. Rather, what matters is what information was available, whether it was actually comprehensively assessed and reviewed in substance, and how any recognizable inconsistencies were dealt with.

5. What companies should do now

Companies that have applied for a research allowance should compare the submitted project descriptions and cost statements with the available records and **check whether the necessary documentation is complete**.

If there are indications of potentially incomplete documentation or incorrect information, it should be **clarified without undue delay** which documentation can still be obtained or which corrections are required.

Identified mistakes must not simply be left until the next tax audit. In this case, there is an **obligation to notify** the authorities without undue delay.

If tax criminal risks exist at the same time, the notification can be submitted purely as a precaution in the form of a so-called voluntary self disclosure, which under certain conditions leads to **exemption from punishment**. Such a notification should be made with the involvement of experienced advisors.

6. Conclusion

The current audits and investigations by the authorities focusing on research allowances are reason to review allowances already applied for or granted.

The review should focus in particular on accurate project descriptions and comprehensively documented hours and expenses.

Individual external service providers and their clients are a particular focus of the authorities.

Those who identify inconsistencies early can review necessary corrections in good time and, where appropriate, take precautionary measures that lead to exemption from punishment.

We will be pleased to support you in reviewing existing applications, assessing tax and tax criminal risks and options for action, and in representing or defending you in potential proceedings.

Please feel free to contact us.



Contact

KPMG Law Rechtsanwaltsgesellschaft mbH

Theodor-Heuss-Straße 5
70174 Stuttgart



Barnim von Gemmingen

Lawyer
Partner
T +49 711 78192-3433
BGemmingen@kpmg-law.com



Julian Aubert

Lawyer
Manager
T +49 711 78192-3400
JulianAubert@kpmg-law.com

KPMG AG Wirtschaftsprüfungsgesellschaft

Theodor-Heuss-Straße 5
70174 Stuttgart



Denise Wollmann

Tax Advisor
Director, Tax
M +49 174 3001167
DWollmann@kpmg.com



Sabrina Maier

Tax Advisor
Manager, Tax
M +49 160 96240951
SMaier@kpmg.com

www.kpmg-law.de

KPMG Law on social media



www.kpmg.de

www.kpmg.de/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. Legal services may not be permissible for certain audit clients or may be excluded for other professional reasons.

© 2026 KPMG Law Rechtsanwaltsgesellschaft mbH, associated with KPMG AG Wirtschaftsprüfungsgesellschaft, a corporation under German law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.