Corporation Tax Act 2010

2010 CHAPTER 4

[F1PART 8B

TRADING PROFITS TAXABLE AT THE NORTHERN IRELAND RATE

[F1CHAPTER 9

RESEARCH AND DEVELOPMENT EXPENDITURE

Textual Amendments

F1 Pt. 8B inserted (with effect in accordance with s. 5 of the amending Act) by Corporation Tax (Northern Ireland) Act 2015 (c. 21), **s. 1**

Introductory

357P Introduction and interpretation

(1) This Chapter makes provision about the operation of—

[F2(a) Chapter 1A of Part 13 (R&D expenditure credit), and

(b) Chapter 2 of that Part (relief for loss-making, R&D-intensive SMEs).]

F3(c) . . . . . .

in relation to expenditure incurred by a company in an accounting period in which it is a Northern Ireland company.

(2) In this Chapter—

(a) "Northern Ireland expenditure" means expenditure incurred in a trade to the extent that the expenditure forms part of the Northern Ireland profits or Northern Ireland losses of the trade;

(b) "qualifying Chapter 2 expenditure" has the same meaning as in Part 13 of CTA 2009 (see section 1051 of that Act);

(c) "Northern Ireland qualifying Chapter 2 expenditure" means so much of any qualifying Chapter 2 expenditure as forms part of the Northern Ireland profits or Northern Ireland losses of a trade;

[F4](d) . . . . . .

[F4](e) . . . . . .

Textual Amendments

F2 S. 357P(1)(a)(b) substituted (1.4.2024 with effect in relation to accounting periods beginning on or after that date) by Finance Act 2024 (c. 3), Sch. 1 paras. 13(4)(a), **16**; S.I. 2024/286, **reg. 2**

F3 S. 357P(1)(c) omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of Finance Act 2016 (c. 24), **s. 47(11)(a)(ii)**

F4 S. 357P(2)(d)(e) omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of Finance Act 2016 (c. 24), **s. 47(11)(b)**

[[F5]Chapter 1A of Part 13] of CTA 2009

Textual Amendments

F5 Words in s. 357PA cross-heading substituted (1.4.2024 with effect in relation to accounting periods beginning on or after that date) by Finance Act 2024 (c. 3), Sch. 1 paras. 13(4)(b), **16**; S.I. 2024/286, **reg. 2**

357PA R&D expenditure credit [F6]...

(1) This section applies where—

(a) a company is entitled to an R&D expenditure credit under [[F7]Chapter 1A of Part 13] of CTA 2009 (R&D expenditure credits) for an accounting period in relation to a qualifying trade, and

(b) the company is a Northern Ireland company in the period.

(2) The R&D expenditure credit forms part of the mainstream profits or mainstream losses of the trade.

Textual Amendments

F6 Words in s. 357PA heading omitted (1.4.2024 with effect in relation to accounting periods beginning on or after that date) by virtue of Finance Act 2024 (c. 3), Sch. 1 paras. 13(4)(c)(i), **16**; S.I. 2024/286, **reg. 2**

F7 Words in s. 357PA(1)(a) substituted (1.4.2024 with effect in relation to accounting periods beginning on or after that date) by Finance Act 2024 (c. 3), Sch. 1 paras. 13(4)(c)(ii), **16**; S.I. 2024/286, **reg. 2**

Chapter 2 of Part 13 of CTA 2009

357PB Additional deduction under section 1044 of CTA 2009

(1) This section applies where—

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(a) a company is entitled to corporation tax relief under section 1044 of CTA 2009 (additional deduction in calculating profits of a trade) for an accounting period in relation to any qualifying Chapter 2 expenditure,

(b) the company is a Northern Ireland company in the period, and

(c) some or all of the qualifying Chapter 2 expenditure is Northern Ireland qualifying Chapter 2 expenditure.

(2) Section 1044(8) of CTA 2009 (amount of additional deduction) has effect, in relation to the Northern Ireland qualifying Chapter 2 expenditure, as if the percentage specified in that provision were the adjusted percentage.

(3) For the purposes of this section "the adjusted percentage" means—

$$A \times MRNIR$$

where—

A is the percentage specified in section 1044(8) of CTA 2009;

MR is the main rate for the financial year in which the expenditure is incurred;

NIR is the Northern Ireland rate for the financial year in which the expenditure is incurred.

(4) So much of the additional deduction under section 1044 of CTA 2009 as is (by virtue of this section) calculated by reference to the adjusted percentage forms part of Northern Ireland profits or Northern Ireland losses of the trade.

357PC Tax credit under section 1054 of CTA 2009: entitlement

(1) Section 1055 of CTA 2009 (meaning of "Chapter 2 surrenderable loss") does not apply to a company in relation to a qualifying trade it carries on in an accounting period in which it is a Northern Ireland company (and the following provisions of this section apply instead).

(2) The company has a Chapter 2 surrenderable loss in the period for the purposes of Chapter 2 of Part 13 of CTA 2009 if—

(a) it obtains an additional deduction under section 1044 of CTA 2009 in the accounting period in calculating the profits of the trade, and

(b) it has—

(i) a Northern Ireland loss of the trade in the period, or

(ii) a mainstream loss of the trade in the period.

(3) In this Chapter—

(a) "Northern Ireland Chapter 2 surrenderable loss" means a Chapter 2 surrenderable loss that a company has by virtue of subsection (2)(b)(i);

(b) "mainstream Chapter 2 surrenderable loss" means a Chapter 2 surrenderable loss that a company has by virtue of subsection (2)(b)(ii).

(4) The amount of a Northern Ireland Chapter 2 surrenderable loss is—

(a) so much of the Northern Ireland loss in question as is unrelieved, or

(b) if less, the Northern Ireland qualifying Chapter 2 expenditure in respect of which the relief was obtained, multiplied by the adjusted section 1044 percentage.

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(5) The amount of a mainstream Chapter 2 surrenderable loss is—

(a) so much of the mainstream loss in question as is unrelieved, or

(b) if less, the qualifying Chapter 2 expenditure in respect of which the relief was obtained that is not Northern Ireland qualifying Chapter 2 expenditure, multiplied by the percentage specified in section 1055(2)(b) of CTA 2009.

(6) For the purposes of this section "the adjusted section 1044 percentage" means—

$$100+(A\times MRNIR)$$

where—

A is percentage specified in section 1044(8) of CTA 2009;

MR is the main rate for the financial year in which the expenditure is incurred;

NIR is the Northern Ireland rate for the financial year in which the expenditure is incurred.

(7) Section 1056 of CTA 2009 (amount of trading loss which is unrelieved) applies for the purposes of this section.

(8) In the application of section 1056 of CTA 2009 by virtue of subsection (7), subsection (2)(c) of that section has effect as if the reference to any loss surrendered under Part 5 of CTA 2010 were—

(a) where the trading loss in question is a Northern Ireland loss, to any of that Northern Ireland loss surrendered under that Part;

(b) where the trading loss in question is a mainstream loss, to any of that mainstream loss surrendered under that Part.

357PD Tax credit under section 1054 of CTA 2009: amount of tax credit

(1) Section 1058(1) of CTA 2009 (amount of tax credit) does not apply to a company in relation to a qualifying trade it carries on in an accounting period in which it is a Northern Ireland company (and the following provisions of this section apply instead).

[[F8](2) The amount of the R&D tax credit to which the company is entitled for the accounting period is, where the company has a Northern Ireland Chapter 2 surrenderable loss but does not have a mainstream Chapter 2 surrenderable loss, the lesser of—

(a) the amount of the Northern Ireland Chapter 2 surrenderable loss multiplied by the relevant percentage, and

(b) the amount **[**[F9]of the cap by reference to the company's PAYE and NIC liabilities for the accounting period**]**.

[F10](2A) . . . . . **]**

[[F11](3) The amount of the R&D tax credit to which the company is entitled for the accounting period is, where the company has a mainstream Chapter 2 surrenderable loss but does not have a Northern Ireland Chapter 2 surrenderable loss, the lesser of—

(a) the amount of the mainstream Chapter 2 surrenderable loss multiplied by the percentage specified in section 1058(1)(a) of CTA 2009, and

(b) the amount **[**[F12]of the cap by reference to the company's PAYE and NIC liabilities for the accounting period**]**.

[F13](3A) . . . . . **]**

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(4) The amount of the R&D tax credit to which the company is entitled for the accounting period is, where the company has both a Northern Ireland Chapter 2 surrenderable loss and a mainstream Chapter 2 surrenderable loss, the **[**[F14]lesser of—

(a) the sum of—

(i) the amount of the Northern Ireland Chapter 2 surrenderable loss multiplied by the relevant percentage, and

(ii) the amount of the mainstream Chapter 2 surrenderable loss multiplied by the percentage specified in section 1058(1)(a) of CTA 2009, and

(b) the amount **[**[F15]of the cap by reference to the company's PAYE and NIC liabilities for the accounting period**].]**

[F16](4A) . . . . . .

(5) For the purposes of this section "the relevant percentage" means—

$$A \times (100+BC)$$

where—

A is the percentage specified in section 1058(1)(a) of CTA 2009;

B is the percentage specified in section 1044(8) of CTA 2009;

C is the adjusted section 1044 percentage as defined by section 357PC(6).

[F17](6) **[** Sections 1112B to 1112E of CTA 2009 (determination of cap by reference to PAYE and NIC liabilities) apply for the purposes of subsections (2)(b), (3)(b) and (4)(b) as they apply for the purposes of section 1058(1) of CTA 2009.**]**

Textual Amendments

F8 S. 357PD(2)(2A) substituted for s. 357PD(2) (10.6.2021) by Finance Act 2021 (c. 26), **Sch. 4 para. 2**

F9 Words in s. 357PD(2)(b) substituted (1.4.2024 with effect in relation to accounting periods beginning on or after that date) by Finance Act 2024 (c. 3), **Sch. 1 paras. 13(4)(d)(i)**, 16; S.I. 2024/286, reg. 2

F10 S. 357PD(2A) omitted (1.4.2024 with effect in relation to accounting periods beginning on or after that date) by virtue of Finance Act 2024 (c. 3), **Sch. 1 paras. 13(4)(d)(ii)**, 16; S.I. 2024/286, reg. 2

F11 S. 357PD(3)(3A) substituted for s. 357PD(3) (10.6.2021) by Finance Act 2021 (c. 26), **Sch. 4 para. 3**

F12 Words in s. 357PD(3)(b) substituted (1.4.2024 with effect in relation to accounting periods beginning on or after that date) by Finance Act 2024 (c. 3), **Sch. 1 paras. 13(4)(d)(i)**, 16; S.I. 2024/286, reg. 2

F13 S. 357PD(3A) omitted (1.4.2024 with effect in relation to accounting periods beginning on or after that date) by virtue of Finance Act 2024 (c. 3), **Sch. 1 paras. 13(4)(d)(ii)**, 16; S.I. 2024/286, reg. 2

F14 S. 357PD(4)(a)(b) and words substituted (10.6.2021) by Finance Act 2021 (c. 26), **Sch. 4 para. 4**

F15 Words in s. 357PD(4)(b) substituted (1.4.2024 with effect in relation to accounting periods beginning on or after that date) by Finance Act 2024 (c. 3), **Sch. 1 paras. 13(4)(d)(i)**, 16; S.I. 2024/286, reg. 2

F16 S. 357PD(4A) omitted (1.4.2024 with effect in relation to accounting periods beginning on or after that date) by virtue of Finance Act 2024 (c. 3), **Sch. 1 paras. 13(4)(d)(ii)**, 16; S.I. 2024/286, reg. 2

F17 S. 357PD(6) inserted (1.4.2024 with effect in relation to accounting periods beginning on or after that date) by Finance Act 2024 (c. 3), **Sch. 1 paras. 13(4)(d)(iii)**, 16; S.I. 2024/286, reg. 2

357PE Restriction on losses carried forward where tax credit claimed

(1) Section 1062(2) and (3) of CTA 2009 (restriction on losses carried forward where tax credit claimed) do not apply to a company in relation to a qualifying trade it carries on

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in an accounting period in which it is a Northern Ireland company (and the following provisions of this section apply instead).

(2) For the purposes of section 45 of CTA 2010 (relief for trading losses against future trading profits)—

(a) if the company has a Northern Ireland loss in the accounting period, that loss is treated as reduced by the amount of the surrendered Northern Ireland loss for the period, and

(b) if the company has a mainstream loss in the accounting period, that loss is treated as reduced by the amount of the surrendered mainstream loss for the period.

(3) For the purposes of this section—

(a) the "amount of the surrendered Northern Ireland loss" for the period means the amount of the Northern Ireland Chapter 2 surrenderable loss in respect of which the company claims an R&D tax credit for the period, and

(b) the "amount of the surrendered mainstream loss" for the period means the amount of the mainstream Chapter 2 surrenderable loss in respect of which the company claims an R&D tax credit for the period.

Chapter 7 of Part 13 of CTA 2009

[F18]357PFAdditional deduction under section 1087 of CTA 2009

. . . . . .]

Textual Amendments

F18 S. 357PF omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of Finance Act 2016 (c. 24), **s. 47(12)**

Changes to legislation:
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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:
Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 357CHA omitted by 2024 c. 3 Sch. 2 para. 14(7)
- s. 658(1)(d)(e) inserted by 2010 c. 13 Sch. 6 para. 31 (This amendment not applied to legislation.gov.uk. Sch. 6 para. 31 omitted (retrospective to 6.4.2010) by virtue of Finance Act 2012 (c. 14), s. 52(2) (3))