

SCHEDULES

SCHEDULE 12

TAX RELIEF FOR EXPENDITURE ON RESEARCH AND DEVELOPMENT

PART 2

ENTITLEMENT TO RELIEF FOR R&D EXPENDITURE: WORK SUBCONTRACTED TO SMALL OR MEDIUM-SIZED ENTERPRISE

Entitlement to relief under this Part

- 7 (1) A company (“the SME”) is entitled to tax relief under this Part for an accounting period if—
- (a) it qualifies as a small or medium-sized enterprise in that period, and
 - (b) its aggregate R&D expenditure for that period is not less than—
 - (i) £25,000, if the accounting period is a period of 12 months, or
 - (ii) such amount as bears to £25,000 the same proportion as the accounting period bears to 12 months.
- (2) In this paragraph “aggregate R&D expenditure” of the SME means the aggregate of—
- (a) its qualifying sub-contracted R&D expenditure (see paragraph 8), and
 - (b) its qualifying R&D expenditure within the meaning of Schedule 20 to the Finance Act 2000 (c. 17) (tax relief for R&D expenditure of small and medium-sized enterprises).
- (3) For this purpose the SME’s aggregate R&D expenditure is “for an accounting period” if it is deductible in computing for tax purposes the profits for that period of a trade carried on by the SME (including expenditure that is so deductible by virtue of section 401 of the Taxes Act 1988).
- (4) Any relief to which a company is entitled under this Part for an accounting period is in addition to any relief to which it may be entitled under Schedule 20 to the Finance Act 2000.

Qualifying sub-contracted R&D expenditure

- 8 For the purposes of this Schedule, the SME’s “qualifying sub-contracted R&D expenditure” is the expenditure incurred by the SME on research and development that is contracted out to it where—
- (a) that research and development is contracted out to the SME—
 - (i) by a large company, or

Status: This is the original version (as it was originally enacted).

- (ii) by any person otherwise than in the course of carrying on a trade, profession or vocation the profits of which are chargeable to tax under Case I or II of Schedule D; and
- (b) the conditions of either paragraph 9 or paragraph 10 are satisfied.

Expenditure on research and development directly undertaken by the SME

- 9 (1) The first condition of this paragraph is that the expenditure is incurred on research and development directly undertaken by the SME.
- (2) The second condition is that the expenditure is incurred—
- (a) on staffing costs, or
 - (b) on consumable stores.
- (3) The third condition is that the expenditure is attributable to relevant research and development in relation to the SME.
- (4) The fourth condition is that the expenditure is not of a capital nature.

Expenditure on research and development directly undertaken on SME's behalf

- 10 (1) The first condition of this paragraph is that the expenditure is incurred in making payments to—
- (a) a qualifying body,
 - (b) an individual, or
 - (c) a partnership, each member of which is an individual,
- in respect of research and development contracted out by the SME to the body, individual or partnership concerned.
- (2) The second condition is that the research and development is directly undertaken on behalf of the SME by the body, individual or partnership concerned.
- (3) The third condition is that the expenditure is attributable to relevant research and development in relation to the SME.
- (4) The fourth condition is that the expenditure is not of a capital nature.