Corporation Tax Act 2009

2009 CHAPTER 4

PART 13

ADDITIONAL RELIEF FOR EXPENDITURE ON RESEARCH AND DEVELOPMENT

CHAPTER 7

RELIEF FOR SMES AND LARGE COMPANIES: VACCINE RESEARCH ETC

Reliefs

1092 SMEs: deemed trading loss for pre-trading expenditure

(1) A company is entitled to corporation tax relief for an accounting period if it meets each of conditions A to D.

(2) Condition A is that the company is a small or medium-sized enterprise in the period.

(3) Condition B is that the company meets the R&D threshold in the period (see section 1097).

(4) Condition C is that the company has incurred expenditure which is qualifying Chapter 7 expenditure for the period as a result of section 1099(1)(b) ("pre-trading qualifying Chapter 7 expenditure").

(5) Condition D is that the company is not carrying on a trade in the period.

(6) For the company to obtain the relief it must make an election.

See section 1094 (which prevents a company from making an election if it is not a going concern).

(7) The relief is that the company is treated as if it had made a trading loss in the period.

(8) The amount of the trading loss is—

(a) 40% of so much of the pre-trading qualifying Chapter 7 expenditure for the period as is expenditure in respect of which the company is also entitled to relief under Chapter 2, and

(b) 140% of so much of the pre-trading qualifying Chapter 7 expenditure for the period as is expenditure in respect of which the company is not entitled to relief under Chapter 2,

but this is subject to section 1093.

(9) If a company makes an election under this section in respect of pre-trading qualifying expenditure, section 61 (pre-trading expenses) does not apply to the expenditure.

(10) This section is subject to section 1113 (cap on R&D aid in relation to a particular research and development project).

(11) See also section 1137 for provision about the accounting periods of a company which is not within the charge to corporation tax.

(12) See sections 1098 and 1099 for the meaning of “qualifying Chapter 7 expenditure” and provision about when such expenditure is “for” an accounting period.