



Corporation Tax Act 2009

2009 CHAPTER 4

PART 13

ADDITIONAL RELIEF FOR EXPENDITURE ON RESEARCH AND DEVELOPMENT

CHAPTER 4

RELIEF FOR SMES: SUBSIDISED AND CAPPED EXPENDITURE ON R&D

Relief

1068 Additional deduction in calculating profits of trade

- (1) A company is entitled to corporation tax relief for an accounting period if it meets conditions A, B and C.
- (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 1069).
- (4) Condition C is that the company has expenditure within subsection (5) which is allowable as a deduction in calculating for corporation tax purposes the profits for the period of a trade carried on by the company.
- (5) The expenditure within this subsection is—
 - (a) qualifying Chapter 4 expenditure (see section 1070), and
 - (b) capped R&D expenditure (see section 1073).
- (6) For the company to obtain the relief it must make a claim.
- (7) The relief is an additional deduction in calculating the profits of the trade for the period.
- (8) The amount of the additional deduction is 30% of the expenditure mentioned in subsection (4).

- (9) See section 1083 for provision about refunds of qualifying Chapter 4 expenditure and capped R&D expenditure.

Threshold

1069 R&D threshold

If a company meets the R&D threshold in an accounting period for the purposes of Chapter 3 (see section 1064) it also meets the R&D threshold in the period for the purposes of this Chapter.

Qualifying expenditure

1070 Qualifying Chapter 4 expenditure

For the purposes of this Part a company's "qualifying Chapter 4 expenditure" means—

- (a) its subsidised qualifying expenditure on in-house direct research and development (see section 1071), and
- (b) its subsidised qualifying expenditure on contracted out research and development (see section 1072).

1071 Subsidised qualifying expenditure on in-house direct R&D

- (1) A company's "subsidised qualifying expenditure on in-house direct research and development" means expenditure incurred by it in relation to which each of conditions A to E is met.
- (2) Condition A is that the expenditure is subsidised (see section 1138).
- (3) Condition B is that the expenditure is—
 - (a) incurred on staffing costs (see section 1123),
 - (b) incurred on software or consumable items (see section 1125),
 - (c) qualifying expenditure on externally provided workers (see section 1127), or
 - (d) incurred on relevant payments to the subjects of a clinical trial (see section 1140).
- (4) Condition C is that the expenditure is attributable to relevant research and development undertaken by the company itself.
- (5) Condition D is that any intellectual property created as a result of the research and development to which the expenditure is attributable is, or will be, vested in the company (whether alone or with other persons).
- (6) Condition E is that the expenditure is not incurred by the company in carrying on activities which are contracted out to the company by any person.
- (7) See sections 1124, 1126 and 1132 for provision about when expenditure within subsection (3)(a), (b) or (c) is attributable to relevant research and development.

1072 Subsidised qualifying expenditure on contracted out R&D

- (1) A company's "subsidised qualifying expenditure on contracted out research and development" means expenditure—
 - (a) which is incurred by it in making the qualifying element of a sub-contractor payment (see sections 1134 to 1136), and
 - (b) in relation to which each of conditions A to F is met.
- (2) Condition A is that the expenditure is subsidised (see section 1138).
- (3) Condition B is that the sub-contractor is—
 - (a) a qualifying body,
 - (b) an individual, or
 - (c) a firm, each member of which is an individual.
- (4) Condition C is that the body, individual or firm concerned undertakes the contracted out research and development itself.
- (5) Condition D is that the expenditure is attributable to relevant research and development in relation to the company.
- (6) Condition E is that any intellectual property created as a result of the research and development to which the expenditure is attributable is, or will be, vested in the company (whether alone or with other persons).
- (7) Condition F is that the expenditure is not incurred by the company in carrying on activities which are contracted out to the company by any person.
- (8) Sections 1124, 1126 and 1132 contain provision about when particular kinds of expenditure are attributable to relevant research and development.

1073 Capped R&D expenditure

For the purposes of this Part a company's "capped R&D expenditure" is any expenditure—

- (a) in respect of which the company is not entitled to relief under Chapter 2 merely because of section 1113 (cap on R&D aid),
- (b) which is not qualifying Chapter 3 expenditure, and
- (c) which would have been qualifying Chapter 5 expenditure had the company been a large company throughout the accounting period in question.