



Corporation Tax Act 2009

2009 CHAPTER 4

PART 3

TRADING INCOME

[^{F1}CHAPTER 6A

TRADE PROFITS: R&D EXPENDITURE CREDITS

Textual Amendments

- F1** Pt. 3 Ch. 6A inserted (with effect in accordance with Sch. 15 para. 27 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 1](#)

Claims for credits

104A R&D expenditure credits

- (1) A company carrying on a trade may make a claim for an amount (an “R&D expenditure credit”) to be brought into account as a receipt in calculating the profits of the trade for an accounting period.
- (2) The company is entitled to an R&D expenditure credit for the accounting period if the company has qualifying R&D expenditure which is allowable as a deduction in calculating for corporation tax purposes the profits of the trade for the accounting period.
- (3) In the case of a company that is a small or medium-sized enterprise in the accounting period, the company's “qualifying R&D expenditure” means—
 - (a) its qualifying expenditure on sub-contracted R&D (see section 104C),
 - (b) its subsidised qualifying expenditure (see section 104F), and
 - (c) its capped R&D expenditure (see section 104I).

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (4) In the case of a company that is a large company throughout the accounting period, the company's "qualifying R&D expenditure" means—
- (a) its qualifying expenditure on in-house direct research and development (see section 104J),
 - (b) its qualifying expenditure on contracted out research and development (see section 104K), and
 - (c) its qualifying expenditure on contributions to independent research and development (see section 104L).
- (5) The amount of an R&D expenditure credit to which a company is entitled is determined in accordance with section 104M.

[This section is subject to [section 104AA](#).]

^{F2}(5A)

- (6) Section 104N contains provision about the effect of a successful claim for an R&D expenditure credit.
- (7) Sections 104U to 104W contain provision about insurance companies and group companies.

[Section 104WA contains provision about ineligible companies.]

^{F3}(7A)

- (8) Section 104X contains anti-avoidance provision.
- (9) Section 104Y contains definitions.
- (10) For information about the procedure for making claims under this Chapter, see Schedule 18 to FA 1998, in particular Part 9A of that Schedule.

Textual Amendments

- F2** S. 104A(5A) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 1\(2\), 20](#)
- F3** S. 104A(7A) inserted (with effect in accordance with s. 31(5) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 31\(2\)](#)

[^{F4}**104AA** Requirement to make a claim notification

- (1) A company may not make a claim under section 104A(1) (an "RDEC claim") after the end of the claim notification period unless—
- (a) the company has made an R&D claim during the period of three years ending with the last day of the claim notification period,
 - (b) the company makes a claim notification in respect of the RDEC claim within the claim notification period, or
 - (c) the accounting period in respect of which the RDEC claim is made falls within the same period of account as another accounting period in respect of which the company has made an R&D claim or a claim notification.
- (2) For the purposes of [subsection \(1\)](#)(a) ignore any R&D claim for an accounting period beginning before 1 April 2023 that is included in the company's company tax return

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

only by virtue of an amendment made on or after that date (see paragraph 83B(2) of Schedule 18 to FA 1998).]

Textual Amendments

- F4** S. 104AA inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 1\(3\), 20](#)

104B Restriction on claiming relief under Part 13 and credit for same expenditure

A company may not make a claim for an R&D expenditure credit and for relief under Part 13 (additional relief for expenditure on research and development) in respect of the same expenditure.

I **Restriction on claiming other tax reliefs**

F5 104BA

- (1) For provision prohibiting an R&D expenditure credit being given under this Chapter and relief being given under Chapter 3 of Part 15 (film tax relief), see section 1195(3A).
- (2) For provision prohibiting an R&D expenditure credit being given under this Chapter and relief being given under Chapter 3 of Part 15A (television tax relief), see section 1216C(4).
- (3) For provision prohibiting an R&D expenditure credit being given under this Chapter and relief being given under Chapter 3 of Part 15B (video games tax relief), see section 1217C(4).

F6 [For provision prohibiting an R&D expenditure credit being given under this Chapter (4) and relief being given under section 1217H or 1217K (theatrical productions: additional deduction or theatre tax credit), see section 1217JA(2).]

F7 [For provision prohibiting an R&D expenditure credit being given under this Chapter (5) and relief being given under Chapter 3 of Part 15E (museums and galleries exhibition tax relief), see section 1218ZCG(2).]]

Textual Amendments

- F5** S. 104BA inserted (with effect in accordance with Sch. 18 para. 23 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 18 paras. 8, 22; S.I. 2013/1817, art. 2\(2\); S.I. 2014/1962, art. 2\(3\)](#)
- F6** S. 104BA(4) inserted (with effect in accordance with Sch. 4 para. 17 of the amending Act) by [Finance Act 2014 \(c. 26\), Sch. 4 paras. 9, 16; S.I. 2014/2228, art. 2](#)
- F7** S. 104BA(5) inserted (for specified purposes and with effect in accordance with Sch. 6 paras. 20, 21(1) (b) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 6 para. 10](#)

SMEs: qualifying expenditure on sub-contracted R&D

104C Qualifying expenditure on sub-contracted R&D

- (1) For the purposes of this Chapter a company's "qualifying expenditure on sub-contracted R&D" means expenditure incurred by it that meets conditions A and B.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (2) Condition A is that the expenditure is incurred on research and development contracted out to the company by—
 - (a) a large company, or
 - (b) any person otherwise than in the course of carrying on a chargeable trade.
- (3) A “chargeable trade” is—
 - (a) a trade, profession or vocation carried on wholly or partly in the United Kingdom, the profits of which are chargeable to income tax under Chapter 2 of Part 2 of ITTOIA 2005, or
 - (b) a trade carried on wholly or partly in the United Kingdom, the profits of which are chargeable to corporation tax under Chapter 2 of this Part.
- (4) Condition B is that the expenditure is expenditure to which section 104D or 104E applies.

104D Expenditure on sub-contracted R&D undertaken in-house

- (1) This section applies to expenditure on research and development contracted out to a company if conditions A, B and C are met.
- (2) Condition A is that the research and development is undertaken by the company itself.
- (3) Condition B is that the expenditure is—
 - (a) incurred on staffing costs (see section 1123),
 - (b) incurred on software [^{F8}, data licences, cloud computing services] 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 in relation to the company.
- (5) See sections 1124, 1126 [^{F9}to 1126B] and 1132 for provision about when expenditure within subsection (3)(a), (b) or (c) is attributable to relevant research and development.

Textual Amendments

- F8** Words in s. 104D(3)(b) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 5\(a\), 20](#)
- F9** Words in s. 104D(5) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\), s. 28\(4\)\(a\)](#)

104E Expenditure on sub-contracted R&D not undertaken in-house

- (1) This section applies to expenditure on research and development contracted out to a company if conditions A, B and C are met.
- (2) Condition A is that the expenditure is incurred in making payments to—
 - (a) a qualifying body,
 - (b) an individual, or

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (c) a firm, each member of which is an individual, in respect of research and development contracted out by the company to the body, individual or firm.
- (3) Condition B is that the research and development is undertaken by the body, individual or firm itself.
- (4) Condition C is that the expenditure is attributable to relevant research and development in relation to the company.
- (5) See sections 1124, 1126 [^{F10}to 1126B] and 1132 for provision about when particular kinds of expenditure are attributable to relevant research and development.

Textual Amendments

F10 Words in s. 104E(5) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\), s. 28\(4\)\(b\)](#)

SMEs: subsidised qualifying expenditure

104F Subsidised qualifying expenditure

For the purposes of this Chapter a company's “subsidised qualifying expenditure” means—

- (a) its subsidised qualifying expenditure on in-house direct research and development (see section 104G), and
- (b) its subsidised qualifying expenditure on contracted out research and development (see section 104H).

104G 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 D is met.
- (2) Condition A is that the expenditure is subsidised.
- (3) Condition B is that the expenditure is—
 - (a) incurred on staffing costs (see section 1123),
 - (b) incurred on software [^{F11}, data licences, cloud computing services] 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 the expenditure is not incurred by the company in carrying on activities which are contracted out to the company by any person.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (6) See sections 1124, 1126 [^{F12}to 1126B] and 1132 for provision about when expenditure within subsection (3)(a), (b) or (c) is attributable to relevant research and development.

Textual Amendments

- F11** Words in s. 104G(3)(b) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 5\(b\), 20](#)
- F12** Words in s. 104G(6) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\), s. 28\(4\)\(c\)](#)

104H 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 E is met.
- (2) Condition A is that the expenditure is subsidised.
- (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 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 [^{F13}to 1126B] and 1132 for provision about when particular kinds of expenditure are attributable to relevant research and development.

Textual Amendments

- F13** Words in s. 104H(7) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\), s. 28\(4\)\(d\)](#)

SMEs: capped R&D expenditure

104I Capped R&D expenditure

For the purposes of this Chapter a company's “capped R&D expenditure” means any expenditure—

- (a) in respect of which the company is not entitled to relief under Chapter 2 of Part 13 merely because of section 1113 (cap on R&D aid),

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (b) which is not qualifying expenditure on sub-contracted R&D, and
- (c) which would have been qualifying R&D expenditure had the company been a large company throughout the accounting period in question.

Large companies: qualifying R&D expenditure

104J Qualifying expenditure on in-house direct R&D

- (1) A company's "qualifying expenditure on in-house direct research and development" means expenditure incurred by it in relation to which conditions A, B and C are met.
- (2) Condition A is that the expenditure is—
 - (a) incurred on staffing costs (see section 1123),
 - (b) incurred on software [^{F14}, data licences, cloud computing services] 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).
- (3) Condition B is that the expenditure is attributable to relevant research and development undertaken by the company itself.
- (4) Condition C is that, if the expenditure is incurred in carrying on activities contracted out to the company, the activities are contracted out by—
 - (a) a large company, or
 - (b) any person otherwise than in the course of carrying on a chargeable trade.
- (5) A "chargeable trade" is—
 - (a) a trade, profession or vocation carried on wholly or partly in the United Kingdom, the profits of which are chargeable to income tax under Chapter 2 of Part 2 of ITTOIA 2005, or
 - (b) a trade carried on wholly or partly in the United Kingdom, the profits of which are chargeable to corporation tax under Chapter 2 of this Part.
- (6) See sections 1124, 1126 [^{F15} to 1126B] and 1132 for provision about when expenditure within subsection (2)(a), (b) or (c) is attributable to relevant research and development.

Textual Amendments

F14 Words in s. 104J(2)(b) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 5\(c\), 20](#)

F15 Words in s. 104J(6) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\), s. 28\(4\)\(e\)](#)

104K Qualifying expenditure on contracted out R&D

- (1) A company's "qualifying expenditure on contracted out research and development" means expenditure incurred by it in relation to which each of conditions A to D is met.
- (2) Condition A is that the expenditure is incurred in making payments to—
 - (a) a qualifying body,

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (b) an individual, or
 - (c) a firm, each member of which is an individual,
 in respect of research and development contracted out by the company to the body, individual or firm concerned (“the contracted out R&D”).
- (3) Condition B is that the body, individual or firm concerned undertakes the contracted out R&D itself.
- (4) Condition C is that the expenditure is attributable to relevant research and development in relation to the company.
- (5) Condition D is that, if the contracted out R&D is itself contracted out to the company, it is contracted out by—
 - (a) a large company, or
 - (b) any person otherwise than in the course of carrying on a chargeable trade.
- (6) A “chargeable trade” is—
 - (a) a trade, profession or vocation carried on wholly or partly in the United Kingdom, the profits of which are chargeable to income tax under Chapter 2 of Part 2 of ITTOIA 2005, or
 - (b) a trade carried on wholly or partly in the United Kingdom, the profits of which are chargeable to corporation tax under Chapter 2 of this Part.
- (7) See sections 1124, 1126 [^{F16}to 1126B] and 1132 for provision about when particular kinds of expenditure are attributable to relevant research and development.

Textual Amendments

F16 Words in s. 104K(7) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), s. [28\(4\)\(f\)](#)

104L Qualifying expenditure on contributions to independent R&D

- (1) A company's “qualifying expenditure on contributions to independent 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 incurred in making payments to—
 - (a) a qualifying body,
 - (b) an individual, or
 - (c) a firm, each member of which is an individual,
 for the purpose of funding research and development carried on by the body, individual or firm concerned (“the funded R&D”).
- (3) Condition B is that the funded R&D is relevant research and development in relation to the company.
- (4) Condition C is that the funded R&D is not contracted out to the qualifying body, individual or firm concerned by another person.
- (5) Condition D is that, if the payment is made to an individual, the company is not connected with the individual when the payment is made.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (6) Condition E is that, if the payment is made to a firm (other than a qualifying body), the company is not connected with any member of the firm when the payment is made.

Amount of credit

104M Amount of R&D expenditure credit

- (1) The amount of the R&D expenditure credit to which a company is entitled for an accounting period is the relevant percentage of the amount of the company's qualifying R&D expenditure for the period.
- (2) In the case of a ring fence trade, the relevant percentage is 49%.

In this subsection “ring fence trade” has the meaning given by section 277 of CTA 2010.
- (3) In any other case, the relevant percentage is [^{F17}20%].
- (4) The Treasury may by order replace the percentage for the time being specified in subsection (2) or (3) with a different percentage.
- (5) An order under subsection (4) may contain incidental, supplemental, consequential and transitional provision and savings.

Textual Amendments

- F17** Word in [s. 104M\(3\)](#) substituted (in relation to expenditure incurred on or after 1.4.2023) by [Finance Act 2023 \(c. 1\)](#), [s. 4\(2\)\(4\)](#)

Payment of credit

104N Payment of R&D expenditure credit

- (1) This section applies if a company is entitled to an R&D expenditure credit for an accounting period under this Chapter.
- (2) The amount to which the company is entitled in respect of the R&D expenditure credit (“the set-off amount”) is to be treated in the following way—
 - Step 1* The set-off amount is to be applied in discharging any liability of the company to pay corporation tax for the accounting period. If any of the set-off amount is remaining, go to step 2.
 - Step 2* If the amount remaining after step 1 is greater than the net value of the set-off amount (see subsection (3)), that amount is to be reduced to the net value of the set-off amount. For provision about the treatment of the amount deducted under this step from the amount remaining after step 1, see section 104O.
 - Step 3* If the amount remaining after step 2 is greater than the company's total expenditure on workers for the accounting period (see section 104P)—
 - (a) that amount is to be reduced to the amount of that expenditure (which may be nil), and
 - (b) the amount deducted under paragraph (a) from the amount remaining after step 2 is to be treated for the purposes of this section as an amount

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

of R&D expenditure credit to which the company is entitled for its next accounting period.

If any of the set-off amount is remaining, go to step 4.

Step 4 The amount remaining after step 3 is to be applied in discharging any liability of the company to pay corporation tax for any other accounting period. If any of the set-off amount is remaining, go to step 5.

Step 5 If the company is a member of a group, it may surrender the whole or any part of the amount remaining after step 4 to any other member of the group (see section 104R). If no such surrender is made, or any of the set-off amount is otherwise remaining, go to step 6.

Step 6 The amount remaining after step 5 is to be applied in discharging any other liability of the company to pay a sum to the Commissioners under or by virtue of an enactment or under a contract settlement. If any of the set-off amount is remaining, go to step 7.

Step 7 The amount remaining after step 6 is payable to the company by an officer of Revenue and Customs. But this is subject to section 104S (restrictions on payment of R&D expenditure credit).

- (3) To determine the net value of the set-off amount for the purposes of step 2 in subsection (2), deduct from the set-off amount amount A and, in the case of a ring fence trade, amount B.

Amount A is the amount equal to the corporation tax that would be chargeable on the set-off amount if—

- (a) it did not include any amount treated as an amount of R&D expenditure credit for the accounting period by virtue of step 3 in subsection (2), and
- (b) it was an amount of profits (or in the case of a ring fence trade, ring fence profits) of the company for the accounting period and corporation tax on such profits was chargeable at the main rate [^{F18}(or, in the case of ring fence profits, the main ring fence profits rate)].

Amount B is the amount equal to the supplementary charge that would be chargeable on the set-off amount if—

- (a) it did not include any amount treated as an amount of R&D expenditure credit for the accounting period by virtue of step 3 in subsection (2), and
- (b) it was an amount of adjusted ring fence profits for the accounting period.

- (4) In this section—

“adjusted ring fence profits” has the meaning given by section 330(2) of CTA 2010,

“the Commissioners” means the Commissioners for Her Majesty's Revenue and Customs,

“contract settlement” means an agreement made in connection with any person's liability to make a payment to the Commissioners under or by virtue of an enactment,

“ring fence profits” has the meaning given by section 276 of CTA 2010, and

“ring fence trade” has the meaning given by section 277 of CTA 2010.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

Textual Amendments

- F18** Words in s. 104N(3) inserted (with effect in accordance with Sch. 1 para. 22 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 1 para. 10](#)

104O Amounts deducted by way of tax adjustment

- (1) This section applies if—
 - (a) a company is entitled to an R&D expenditure credit for an accounting period under this Chapter, and
 - (b) the amount of the set-off amount remaining after step 1 in section 104N(2) is greater than the net value of the set-off amount.
- (2) An amount equal to the difference between—
 - (a) the amount remaining after step 1 in section 104N(2), and
 - (b) the net value of the set-off amount,(“the step 2 amount”) is to be applied in discharging any liability of the company to pay corporation tax for any subsequent accounting period.

This is subject to subsection (3).
- (3) If the company is a member of a group, it may surrender the whole or any part of the step 2 amount to any other member of the group (the “relevant group member”).

In such a case, section 104R(3) applies to the amount surrendered as it applies to an amount of R&D expenditure credit surrendered under step 5 in section 104N(2).
- (4) If any of the amount surrendered under subsection (3) is remaining after the operation of step 3 in section 104R(3), it is to be treated for the purposes of this section as if it had not been surrendered to the relevant group member.
- (5) Any amounts to be applied under subsection (2) or (3) in discharging any liability of a company to pay corporation tax for an accounting period are to be so applied before any amounts that may be so applied under step 1, 4 or 5 in section 104N(2).
- (6) The surrender by a company of the whole or any part of the step 2 amount to another company under this section—
 - (a) is not to be taken into account in determining the profits or losses of either company for corporation tax purposes, and
 - (b) for corporation tax purposes is not to be regarded as the making of a distribution.
- (7) Any reference in this section to the set-off amount, or the net value of the set-off amount, is to be read in accordance with section 104N.

104P Total expenditure on workers

- (1) For the purposes of section 104N, the amount of a company's total expenditure on workers for an accounting period is the sum of—
 - (a) the relevant portion of the company's staffing costs for the period (see subsection (2)), and

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (b) if the company is a member of a group and has incurred expenditure on any externally provided workers, the relevant portion of any staffing costs for the period incurred by another member of the group (the “relevant group company”) in providing any of those workers for the company (see subsection (3)).
- (2) The relevant portion of the company's staffing costs for an accounting period is the amount of those costs that—
- (a) are paid to, or in respect of, directors or employees who are directly and actively engaged in relevant research and development (whether they are wholly or partly so engaged), and
 - (b) form part of the total amount of the company's PAYE and NIC liabilities for the accounting period (see section 104Q).
- (3) The relevant portion of any staffing costs for an accounting period incurred by a relevant group company in providing externally provided workers for the company is the sum of the amounts to be determined in the case of each of those workers as follows—
- Step 1* Calculate the amount of expenditure that—
- (a) has been incurred by the relevant group company in providing the externally provided worker for the company,
 - (b) has been incurred on staffing costs, and
 - (c) forms part of the total amount of the relevant group company's PAYE and NIC liabilities for the accounting period (see section 104Q).
- Step 2* Calculate the percentage (the “appropriate percentage”) given by—

$$\frac{R}{T} \times 100$$

where—

R is the amount of the company's qualifying expenditure on the externally provided worker that has been taken into account in calculating the amount of the company's qualifying R&D expenditure for the period, and

T is the total amount of the company's qualifying expenditure on the externally provided worker.

Step 3 The amount to be determined in the case of the externally provided worker is the appropriate percentage of the amount given by step 1.

104Q Total amount of company's PAYE and NIC liabilities

- (1) For the purposes of section 104P the total amount of a company's PAYE and NIC liabilities for an accounting period is the sum of—
- (a) amount A, and
 - (b) amount B.
- (2) Amount A is the total amount of income tax for which the company is required to account to an officer of Revenue and Customs under PAYE regulations for the accounting period.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (3) In calculating amount A disregard any deduction the company is authorised to make in respect of child tax credit or working tax credit.
- (4) Amount B is the total amount of Class 1 national insurance contributions for which the company is required to account to an officer of Revenue and Customs for the accounting period.
- (5) In calculating amount B disregard any deduction the company is authorised to make in respect of payments of statutory sick pay, statutory maternity pay, child tax credit or working tax credit.
- (6) In a case where the company is required to account for any amount of income tax or Class 1 national insurance contributions for a payment period that does not fall wholly within the accounting period, the portion of that amount to be included in the total amount of the company's PAYE and NIC liabilities for the accounting period is to be determined on such basis as is just and reasonable in all the circumstances.

104R Surrender of credit to other group companies

- (1) This section applies if—
 - (a) a company is entitled to an R&D expenditure credit under this Chapter for an accounting period (“the surrender period”), and
 - (b) the company surrenders the whole or any part of the credit to another member of the group (the “relevant group member”) under step 5 in section 104N(2).
- (2) In this section an accounting period of a relevant group member is a “relevant accounting period” if there is a period (“the overlapping period”) that is common to the accounting period and the surrender period.
- (3) The amount surrendered is to be applied in discharging any liability of the relevant group member to pay corporation tax for any relevant accounting period as follows—

Step 1 Take the proportion of the relevant accounting period included in the overlapping period. Apply that proportion to the amount of corporation tax payable by the relevant group member for the relevant accounting period.

Step 2 Take the proportion of the surrender period included in the overlapping period. Apply that proportion to the amount surrendered to the relevant group member.

Step 3 The amount given by step 2 is to be applied in discharging the amount given by step 1.
- (4) If any of the amount surrendered is remaining after the operation of step 3 in subsection (3), it is to be treated for the purposes of section 104N as if it had not been surrendered to the relevant group member.
- (5) The surrender by a company of the whole or any part of an R&D expenditure credit to another company under step 5 in section 104N(2)—
 - (a) is not to be taken into account in determining the profits or losses of either company for corporation tax purposes, and
 - (b) for corporation tax purposes is not to be regarded as the making of a distribution.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

104S Restrictions on payment of R&D expenditure credit

- (1) This section applies if—
 - (a) a company is entitled to an R&D expenditure credit for an accounting period under this Chapter, and
 - (b) an amount of the R&D expenditure credit is payable to the company under step 7 of section 104N(2).
- (2) If at the time of claiming the credit the company was not a going concern (see section 104T)—
 - (a) the company is not entitled to be paid that amount, and
 - (b) that amount is extinguished.
- (3) But if the company becomes a going concern on or before the last day on which an amendment of the company's tax return for the accounting period could be made under paragraph 15 of Schedule 18 to FA 1998, the company is entitled to be paid that amount.
- (4) If the company's tax return for the accounting period is enquired into by an officer of Revenue and Customs—
 - (a) no payment of that amount need be made before the officer's enquiries are completed (see paragraph 32 of Schedule 18 to FA 1998), but
 - (b) the officer may make a payment on a provisional basis of such amount as the officer thinks fit.
- (5) No payment of that amount need be made if the company has outstanding PAYE and NIC liabilities for the period.
- (6) A company has outstanding PAYE and NIC liabilities for an accounting period if it has not paid to an officer of Revenue and Customs any amount that it is required to pay—
 - (a) under PAYE regulations, or
 - (b) in respect of Class 1 national insurance contributions,
 for payment periods ending in the accounting period.

104T “Going concern”

- (1) For the purposes of section 104S(2) and (3) a company is a going concern if—
 - (a) its latest published accounts were prepared on a going concern basis, and
 - (b) nothing in those accounts indicates that they were only prepared on that basis because of an expectation that the company would receive R&D expenditure credits under this Chapter.

This is subject to subsection (2).

- (2) A company is not a going concern at any time if it is in administration or liquidation at that time.
- (3) For the purposes of this section a company is in administration if—
 - (a) it is in administration under Part 2 of the Insolvency Act 1986 or Part 3 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), or
 - (b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.
- (4) For the purposes of this section a company is in liquidation if—

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (a) it is in liquidation within the meaning of section 247 of that Act or Article 6 of that Order, or
- (b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.

^{F19} [For the purposes of this section, where a company (“A”) is a member of the same (4A) group as another company (“B”) and A’s latest published accounts were not prepared on a going concern basis by reason only of a relevant group transfer, the accounts are to be treated as if they were prepared on a going concern basis.

(4B) For the purposes of this section a “relevant group transfer” is a transfer within the accounting period to which the latest published accounts relate by A of its trade and research and development to another member of the group mentioned in [subsection \(4A\)](#).]

(5) Section 436(2) of the Companies Act 2006 (meaning of “publication” of documents) has effect for the purposes of this section.

Textual Amendments

F19 S. 104T(4A)(4B) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 1 paras. 17\(1\), 20](#)

Insurance companies

104U Insurance companies treated as large companies

- (1) This section applies if an insurance company—
 - (a) carries on life assurance business in an accounting period, and
 - (b) is a small or medium-sized enterprise in the period.
- (2) For the purposes of this Chapter the company is to be treated as if it were not such an enterprise in the period (and accordingly is to be treated as a large company for the purposes of this Chapter).
- (3) Section 1119 (meaning of “small or medium-sized enterprise”), as it has effect for the purposes of this Chapter (see section 104Y), is to be read subject to this section.

104V Entitlement to credit: I minus E basis

- (1) This section applies if—
 - (a) for an accounting period, an insurance company is charged to tax in respect of its basic life assurance and general annuity business in accordance with the I-E rules, and
 - (b) the calculation of the company’s charge to tax for the period in respect of that business does not involve the calculation of any BLAGAB trade profit or loss of the company.
- (2) Section 104A has effect as if—
 - (a) the reference in subsection (1) to calculating the profits of a trade were a reference to calculating the I-E profit of the basic life assurance and general annuity business carried on by the company, and

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

- (b) the reference in subsection (2) to qualifying R&D expenditure allowable as a deduction in calculating the profits of a trade for an accounting period were a reference to any such expenditure that would be allowable as such a deduction if the company were to calculate its BLAGAB trade profit or loss for the period.
- (3) Any receipt to be brought into account by virtue of this section is to be treated for the purposes of section 92 of FA 2012 (certain BLAGAB trading receipts to count as deemed I-E receipts) as if it had been taken into account in calculating the company's BLAGAB trade profit or loss for the period.
- (4) In this section “BLAGAB trade profit” and “BLAGAB trade loss” have the meaning given by section 136 of FA 2012.

Group companies

104W R&D expenditure of group companies

- (1) This section applies if—
 - (a) a company (“A”) incurs expenditure on making a payment to another company (“B”) in respect of activities contracted out by A to B,
 - (b) the activities would, if carried out by A, be research and development of A (taken together with A's other activities), and
 - (c) A and B are members of the same group at the time the payment is made.
- (2) If the activities are undertaken by B itself, they are to be treated for the purposes of this Chapter (so far as it would not otherwise be the case) as research and development undertaken by B itself.
- (3) If B makes a payment to a third party (“C”), any of the activities—
 - (a) contracted out by B to C, and
 - (b) undertaken by C itself,
 are to be treated for the purposes of this Chapter (so far as it would not otherwise be the case) as research and development contracted out by B to C.

[^{F20}Ineligible companies

Textual Amendments

F20 S. 104WA and cross-heading inserted (with effect in accordance with s. 31(5) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 31\(3\)](#)

104WA Ineligible companies

- (1) No claim for an R&D expenditure credit may be made in respect of expenditure incurred by an ineligible company.
- (2) In this section, “ineligible company” means a company that is—
 - (a) an institution of higher education (as defined by section 1142(1)(b)),
 - (b) a charity, or
 - (c) a company of a description prescribed by the Treasury by regulations.]

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

Anti-avoidance

104X Artificially inflated claims for credit

- (1) To the extent that a transaction is attributable to arrangements entered into wholly or mainly for a disqualifying purpose, it is to be disregarded for the purpose of determining for an accounting period R&D expenditure credits to which a company is entitled under this Chapter.
- (2) Arrangements are entered into wholly or mainly for a “disqualifying purpose” if their main object, or one of their main objects, is to enable a company to obtain—
 - (a) an R&D expenditure credit under this Chapter to which it would not otherwise be entitled, or
 - (b) an R&D expenditure credit under this Chapter of a greater amount than that to which it would otherwise be entitled.
- (3) In this section “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable.

Interpretation

104Y Interpretation

- (1) In this Chapter the following terms have the same meaning as they have in Part 13 (additional relief for expenditure on R&D)—
 - [^{F21}“claim notification” (see [section 1142A](#)),]
 - [^{F21}“claim notification period” (see [section 1142A](#)),]
 - “large company” (see [section 1122](#)),
 - “payment period” (see [section 1141](#)),
 - “qualifying body” (see [section 1142](#)),
 - “relevant research and development” (see [section 1042](#)),
 - “research and development” (see [section 1041](#)),
 - [^{F22}“R&D claim” (see [section 1142B](#)),]
 - “small or medium-sized enterprise” (see [section 1119](#)).
- (2) The following sections apply for the purposes of this Chapter as they apply for the purposes of Part 13—
 - sections 1123 and 1124 (staffing costs),
 - sections 1125 [^{F23}to 1126B] (software [^{F24}, data licences, cloud computing services] or consumable items),
 - sections 1127 to 1132 (qualifying expenditure on externally provided workers),
 - sections 1133 to 1136 (sub-contractor payments),
 - section 1138 (“subsidised expenditure”),
 - section 1140 (relevant payments to the subjects of a clinical trial).
- (3) For the purposes of this Chapter two companies are members of the same group if they are members of the same group of companies for the purposes of Part 5 of CTA 2010 (group relief).

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

[References in this Chapter to expenditure incurred on payments (however expressed) ^{F25}(4) are references to expenditure incurred on payments made before the making of a claim under this Chapter in relation to that expenditure.]]

Textual Amendments

- F21** Words in s. 104Y inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 1\(4\)\(a\), 20](#)
- F22** Words in s. 104Y inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 1\(4\)\(b\), 20](#)
- F23** Words in s. 104Y(2) substituted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\), s. 28\(5\)](#)
- F24** Words in s. 104Y(2) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 5\(d\), 20](#)
- F25** S. 104Y(4) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 18\(1\), 20](#)

Changes to legislation:

There are outstanding changes not yet made by the legislation.gov.uk editorial team to Corporation Tax Act 2009. Any changes that have already been made by the team appear in the content and are referenced with annotations.

[View outstanding changes](#)

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 934(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 12\(2\)](#)
- s. 962(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(5\)\(b\)](#)
- s. 962A(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(6\)\(b\)](#)
- s. 963(1A) inserted by [2023 c. 30 Sch. 2 para. 12\(7\)\(a\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)
- s. 1138A applied by [S.I. 2024/348 reg. 3](#)