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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD81450 - R&D tax relief: conditions to be satisfied: allowable as a deduction in computing the profit

CTA09/S1044(5) & CTA09/S104A(2)

The statute provides that, to be eligible for SME relief or RDEC, expenditure within the qualifying categories must have been allowable as a deduction in computing the profit of the trade for which the R&D is relevant.

Pre-trading expenditure

Where expenditure is incurred for the purposes of a trade before that trade commences, the expenditure can generally only be allowed as a deduction in computing the profit as if the expenditure had been incurred on the first day of the trade (**CTA09/S61**).

The exception to this is under the SME scheme and is dealt with at [CIRD90200](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90200) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90200>).

RDEC cannot be claimed until the trade has commenced and the expenditure is allowed as a deduction in computing the profits of the trade.

Deductibility in computing profit of expenditure incurred in an accounting period beginning on or after 1 January 2005

So long as:

- expenditure is recognised either as a deduction in computing the profit or as an intangible asset in accounts beginning on or after 1 January 2005, **and**
- the expenditure is not prevented from being an allowable deduction in calculation of profit for that period (for example because it is capital expenditure for tax purposes), **and**
- the expenditure is incurred during the accounting period,

then **CTA09/S1308** allows expenditure to be deducted in computing the profit when it is incurred irrespective of whether it appears as a deduction in the profit and loss account.

CTA09/S1308 is part of the general calculation rules for corporation tax. It is not necessary to make a claim in order to use the provision, nor is it a requirement that it is used. CTA09/S1308 does not override the RDEC requirement that the trade has commenced where this applies.

The same legislation prevents more than one deduction in computing taxable profits for the same expenditure. So where the expenditure is treated as on an asset and relief is claimed at that point, no relief is due for the same expenditure when it is amortised to the profit and loss account. Some explanatory background on the introduction of CTA09/S1308 is at [CIRD98400](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird98400>).

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