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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
([/government/organisations/hm-revenue-customs](#))

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## CIRD91500 - R&D tax relief: SME definition: aggregation for 2003 EC SME Recommendation test

To determine whether or not a particular enterprise falls within the Recommendation's definition of an SME it necessary to test the enterprise against certain ceilings relating to staff headcount, turnover and balance sheet totals. To fall within the definition the enterprise must stay below the staff headcount ceiling and fall below at least one of the turnover and balance sheet total ceilings

([CIRD91400](#) (<https://www.gov.uk/hmrc-internal->

[manuals/corporate-intangibles-research-and-development-manual/cird91400\)\)](#).

But in order to apply these ceiling tests to an enterprise it is first necessary to identify into which of three types of enterprise it falls - autonomous, partner or linked.

## Autonomous enterprises

An autonomous enterprise is defined by exclusion - an autonomous enterprise is any enterprise that is not a partner enterprise or a linked enterprise.

An enterprise is autonomous if it has a holding of less than 25% of the capital or voting rights in one or more enterprises and/or other enterprises do not have a stake of 25% or more of the capital or voting rights in the enterprise.

It is possible for an enterprise to have several investors each with a stake of under 25% and still remain autonomous, provided the investors are not linked. If the investors are linked then the enterprise may be considered to be linked or partnered depending upon its particular circumstances.

It is possible for an enterprise to be considered autonomous even if the 25% threshold is reached or exceeded by any of the following investors:

1. public investment corporations, and venture capital companies ([CIRD92100](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird92100>)),
2. individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses ('business angels'), provided the total investment of those business angels in the same enterprise is less than €1.25 million,
3. universities or non-profit research centres,

4. institutional investors ([CIRD92200](https://www.gov.uk/hmrc-internal-manuals/cird92200) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird92200>)), including regional development funds,
5. autonomous local authorities with an annual budget of less than €10 million and fewer than 5,000 inhabitants.

It is possible for the enterprise to retain its autonomous status whilst having one or more of the investors listed above. Each investor may have a stake of no more than 50% and they must not be linked to one another.

In the case of an autonomous enterprise the ceiling tests are applied solely by reference to the accounts of the enterprise itself.

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## Linked enterprises

Broadly, linked enterprises are those in which one enterprise is able to exercise control, either directly or indirectly, over the affairs of the other.

Where an enterprise is a linked enterprise the ceiling tests are applied to the aggregates of the figures in its own accounts and those from the accounts of all other enterprises to which it is linked. Further information on linked enterprises is at [CIRD91600](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91600) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91600>).

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## Partner enterprises

Partner enterprises are enterprises that are not linked, but where one of them holds (either on its own or in combination with other enterprises with

which it is linked) 25% or more of the capital or voting rights in the other.

Where an enterprise is a partner enterprise the ceiling tests are applied to figures based on the accounts of the enterprise after inclusion of a proportion of the figures from the accounts of any partner enterprise.

There is a relaxation of the 25% limit in the case of specified investment enterprises that play a positive role in business start-up and financing. Further information about this and partner enterprises generally is at [CIRD91700](https://www.gov.uk/hmrc-internal-manuals/cird91700) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91700>).

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