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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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## CIRD92300 - R&D tax relief: SME definition: capital for the purposes of EC SME Recommendations

The term ‘capital’ used in the EU Recommendations is not further defined. We consider that it can have a wider meaning than ordinary share capital. So it can include preference shares, or loan finance of a capital nature, particularly if that loan finance is convertible to equity at some point.

There is no clear definition in European law to draw upon, although the use of the term capital is a common feature in the various company law directives, without being specifically defined. This may perhaps be inevitable given the wide variety of legal frameworks that need to be covered by the Recommendation. In any case of difficulty concerning eligibility for SME R&D relief please seek the advice of Business, Assets and International (Technical). Over time, we hope to be able to codify advice, but for the moment, in difficult cases, we need to consider them on their individual facts.

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