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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD84050 - R&D tax relief: categories of qualifying expenditure: externally provider worker - connected staff supplier

CTA09/S1129

The following guidance applies to all claims including connected parties, including those where an election for connected party treatment has been made (CTA09/S1130).

The interpretation of 'connected party' is found in CTA10/S1122 (see CTA09/S1316).

There are some accounting requirements which relate to the connected staff provider or staff controller and which must be met before the company which has a staff provision payment for EPWs can make a claim for R&D relief.

The accounts to which these requirements apply must have been drawn up in accordance with generally accepted accountancy practice (GAAP). These accounts must also end not more than 12 months after the end of the claimant company's period of accounts in which the staff provision payment provision for EPW's is, in accordance with GAAP, brought into account in determining the company's profit or loss.

- The accounting conditions are; that the whole of the staff provision payment has been brought into account in determining the connected staff provider or staff controller's profit or loss, and
- That all of its relevant expenditure incurred on providing those externally provided workers has been brought into account in determining the connected party staff provider or staff controller company's profit or loss. These expenses should be identified by reference to the criteria used to identify staffing costs as in [CIRD83000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83000). See below regarding reimbursed expenses.

Where these conditions are met the company's qualifying expenditure is the lower of:

- the qualifying payment for staff that it makes to the staff provider, and
- the amount that the staff provider or staff controller includes as relevant expenditure in its accounting periods ending not more than 12 months after the end of the company's accounting period in which the payment was made. The relevant expenditure should, as

mentioned above, be identified by reference to the criteria used to identify staffing costs as in [CIRD83000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83000). See below regarding reimbursed expenses.

Note that when identifying the relevant expenditure this may include reimbursed expenses, paid by the staff provider or staff controller to staff. Further guidance on what qualifies as reimbursed expenses is found at [CIRD83200 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83200\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83200).

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