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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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## CIRD220450 - Patent Box: relevant IP profits: routine return figure: deductions that are not routine deductions

### CTA10/357BJB

Some expenditure that would otherwise be routine deductions by virtue of the six heads defined at S357BJA ([CIRD220440](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and->

[development-manual/cird220440](#)) are specifically removed by 357BJB

## **1. Loan relationship or derivative contracts**

Debits in respect of loan relationships or derivative contracts are not routine deductions.

## **2. R&D expenses**

R&D expenses are excluded from the calculation. This recognises that these expenses are likely to have a direct correlation to the creation and development of qualifying IP. The R&D expenses excluded are the amounts on which R&D tax credits are given, plus any additional deduction given by the R&D tax credit regime. For externally provided workers ('EPW') expenses the amount eligible for relief under CTA09/Part 13 is excluded from the mark up. Therefore where only 65% of the actual cost of EPW is eligible for relief then the non-eligible 35% of the cost should be marked up in the same way that non-R&D EPW expenditure would be.

## **3. RDA and patent allowances**

Research and development allowances and patent allowances under CAA01/ Part 6 and Part 8 are not routine deductions as they, like R&D expenses, are likely to have a direct correlation to the development of qualifying IP.

## **4. R&D employee share acquisitions**

Deductions relating to relief given for employee share acquisitions under CTA09/Part 12 are allowable to the extent that the employee is engaged in relevant R&D activities. The same proportion of the staff cost which is eligible for enhancement under CTA09/Part 13 should be applied to the CTA09/Part 12 cost to establish the amount to be excluded from the routine return figure

## **5. TV Production expenditure and Video Games development expenditure**

Deductions relating to qualifying expenditure under Part 15A and 15B CTA09 for which an additional deduction for the accounting period is obtained by the company for TV productions or video game development. Both the expenditure and the additional deduction itself are excluded.

## **6. Audio Visual Expenditure Credit and Video Games Expenditure Credit**

Deductions, relating to qualifying expenditure under Part 14A, Chapter 4 CTA09 and Part 14A, Chapter 5 CTA09 for which an additional deduction for the accounting period is obtained by the company relating to Audio Visual Expenditure Credit and/or Video Games Expenditure Credit. Both the expenditure and the additional deduction itself are excluded from the routine return figure.



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