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HMRC internal manual

Corporate Intangibles Research and Development Manual

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

Published 11 March 2016

Updated: 10 September 2025 - [See all updates](#)

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CIRD91600 - R&D tax relief: SME definition: linked enterprises for 2003 EC SME Recommendation test

For the purposes of EC Recommendation 2003/361/EC linked enterprises are enterprises that are related through an enterprise:

- having a majority, more than 50% of the shareholders' or members' voting rights in another enterprise,
- having the right to appoint or remove a majority of the members of the administrative,

management or supervisory body of another enterprise,

- having the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association,
- which is a shareholder in or member of another enterprise, controlling alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders or members' voting rights in that enterprise.

Essentially, these are tests of 'control'; enterprises are linked if one of them directly or indirectly controls, or has the capacity to control, the affairs of the other.

It is possible for an enterprise to be controlled by more than one other enterprise at the same time.

Companies within a group will generally be linked enterprises.

Enterprises linked through individuals: limited to similar or adjacent markets

Enterprises are also linked enterprises if a relationship of the sort listed above exists through an individual or group of individuals acting together. But this linkage through individuals is only made if the enterprises are engaged (wholly or partly) in the same markets or in 'adjacent markets'.

In this context adjacent markets are markets for products or services that are directly upstream and downstream of each other.

Applying the ceiling tests to linked enterprises

Where an enterprise is a linked enterprise the ceiling tests for staff head count, turnover and

balance sheet total ([CIRD91400](https://www.gov.uk/hmrc-internal-manuals/cird91400) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91400>)) are applied to the aggregates of figures in its own accounts and those from the accounts of all its linked enterprises. Note that this aggregation brings together all of the amounts included in the accounts of the linked enterprises, irrespective of the degree of control that exists.

Where consolidated accounts exist it is normally the figures from the consolidated accounts that are considered when applying the ceiling tests. However in some situations - for example where inter company loans under different asset categories leads to double counting of the same sum- other data of the enterprise(s) can be used.

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