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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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## CIRD91400 - R&D tax relief: SME definition: 2003 EC SME Recommendation tests 2003/361/EC

With effect from 1 January 2005 1996/280/EC is replaced by 2003/361/EC

Definitions for ‘small enterprises’ and ‘medium-sized enterprises’ were originally included within Recommendation 1996/280/EC of 3 April 1996. Further information about 1996/280/EC can found

at [CIRD91300 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91300\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91300).

A copy of Recommendation 2003/361/EC is at [CIRD92800 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird92800\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird92800).

For the purposes of R&D tax relief, Recommendation 1996/280/EC has effect until its replacement by 2003/361/EC. 2003/361/EC will apply for accounting periods ending on or after 1 January 2005.

Broadly, Recommendation 2003/361/EC defines enterprises as micro, small or medium by reference to various ceilings relating to staff headcount, annual turnover and balance sheet totals. To fall within a particular category an enterprise must meet the 'staff headcount' test and at least one of the 'turnover' or 'balance sheet total' tests.

Ceilings within Recommendation 2003/361/EC

<b>Enterprise category</b>	<b>Staff Headcount</b>	<b>Turnover</b>	<b>Balance Sheet total</b>
Medium sized	250	not exceeding €50m	not exceeding €43m
Small	50	not exceeding €10m	not exceeding €10m
Micro	10	not exceeding €2m	not exceeding €2m

If the accounting period is not equal to one year, the figures are annualised.

Measurement of staff headcount, turnover and balance sheet total is dealt with at [CIRD91800](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91800) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91800>).

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## Aggregation

These ceilings are not necessarily calculated solely by reference to the enterprise itself. Where an enterprise is not autonomous it may be necessary to take account of the headcount, turnover and balance sheet totals of other enterprises to which it has connections.

Autonomous enterprises and aggregation where enterprises are not autonomous are dealt with at [CIRD91500](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91500) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91500>).

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## Flow chart

There is a flow chart summarising the 2003 SME test at [CIRD92850](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird92850) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird92850>).

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## Transfer pricing and other areas using the same or similar definitions of SME

The guidance in this manual should not be taken as being more generally applicable. It is solely for the purposes of the R&D tax relief. Although the definition of an SME is similar for purposes of transfer pricing it is not identical.

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