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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD92200 - R&D tax relief: SME definition: institutional investor and public investment corporation

Institutional investor

There is no definition of ‘institutional investor’ in the EC recommendation, nor are we aware of any definition within European case law. We therefore apply the ordinary usage of these words. We take the view that ‘institutional investor’ in this context means an institution whose purpose is to make a

significant number of investments as the essential character of its business.

In order to differentiate such an institution from a private investor we take the view that such an institution should channel the investments of a number of smaller investors in such a way that there is an essential pooling of their investments.

We would also not expect the institution to be the principal beneficiary of any investment performance - rather its business will be to act as a broadly transparent vehicle through which others may channel investments to gain economies of scale and spread investment risk. An obvious example of the sort of institution we think the term 'institutional investor' refers to would be a unit trust. In so far as life assurance companies invest on behalf of their policyholders we would also generally regard them as institutional investors.

An institutional investor can invest in two capacities - as an investment channel for others, or strategically/structurally on its own account. In this latter case we would not regard it as investing in its capacity as an institutional investor.

It is clear from the phrasing in the European recommendation that it also considers that the character of an institutional investor will be at arms-length rather than through active involvement in the conduct or operation of the company in which the investment is made. Again this would argue against the inclusion of strategic or structural investments.

This remains an evolving area and in cases of difficulty, where this guidance does not cover the circumstances, you should feel free to check the position with CTIAA (Technical).

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Public Investment Corporation

This is a European concept intended, we understand, to apply to certain sorts of institution particularly seen in other countries.

There is no exact equivalent in the UK, but the themes we would expect to see are that the entity is publicly owned or publicly funded, and that its investments are made in a passive way - without active involvement in the conduct of the businesses in which the investment is made. We do not consider that universities are public investment corporations.

If it is contended that an institution is a public investment corporation, details of the institution will be requested, and how it operates, and referred to CTIAA (Technical).

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