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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD131000 - R&D Tax Reliefs: reformed reliefs: categories of qualifying expenditure: overview

See also [CIRD112300 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird112300\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird112300) and [CIRD122200 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird122200\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird122200) for an overview of expenditure conditions that must be met for new RDEC and ERIS respectively.

The qualifying expenditure rules and categories are aligned between new RDEC and ERIS (but note that special rules apply to companies registered in Northern Ireland – see CIRD125000). However, some legislative references are different.

The category of contributions to independent research is abolished.

All qualifying expenditure is either on in-house R&D of the company, or on contracted out R&D of the company, or on activity of the company as contractor to an irrelievable client (including situations where the company and the client are members of the same group and have made a joint election under CTA09/S1142(5) - see [CIRD164000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird164000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird164000)).

Guidance on the meaning of “contracted out” is given at [CIRD160000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird160000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird160000) and following. For the meaning of “relevant R&D”, see [CIRD81400 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81400\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81400). Guidance on exempt foreign permanent establishments is available at [CIRD190000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird190000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird190000).

In-house R&D (CTA09/S1042D & S1052)

This must be:

- Attributable to relevant R&D undertaken by the company itself (Condition A)
- Incurred on one of the qualifying cost categories (see table below) (Condition B)
- On R&D that is not contracted out to the company (Condition C)
- Not attributable to expenditure of an exempt foreign permanent establishment (Condition D)

Contracted out R&D (CTA09/S1042E & S1053)

This must be:

- Attributable to relevant R&D contracted out by the company (Condition A)
- Not attributable to R&D contracted out to the company (Condition B)
- Incurred in making the qualifying element of a subcontractor payment within CTA09/S1133 to S1136 (see [CIRD138000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird138000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird138000>)) (Condition C)
- Not attributable to expenditure of an exempt foreign permanent establishment (Condition D)

Activity as contractor for irrelievable client (CTA09/S1042F & S1053A)

This must satisfy the following conditions:

- It is attributable to relevant R&D contracted out to the company (Condition A)
- Each person by whom the R&D is contracted out to the company is either:
(Condition B)
 - an ineligible company (see [CIRD163000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird163000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird163000>)) or
 - contracting out the R&D otherwise than in the course of a trade, profession, or vocation within the charge to tax
- It would otherwise be qualifying Chapter 1A or Chapter 2 expenditure in virtue of CTA09/S1052-3 or CTA09/S1042D-E, but for the fact that it is contracted out to the company (Condition C)

Table of legislative references (all relate to CTA09 unless otherwise specified)

Description	New RDEC (Chapter 1A	ERIS (Chapter 2	Add
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	qualifying expenditure)	qualifying expenditure)	
In-house R&D	1042D	1052	See CIR
Contracted out R&D	1042E	1053	
Activity as contactor for irrelievable client	1042F	1053A	
Staffing costs	1123 to 1124		CIR
Software, data licenses, cloud computing services or consumable items	1125 to 1126B		CIR CIR clou CIR
Externally provided workers	1127 to 1132A		CIR
Contractor payments	1133 to 1136		CIR CIR
Relevant payments to the subjects	1140		CIR

of a clinical trial



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