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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD99100 - R&D tax credits: accountancy: SSAP13

SSAP13 is a UK accounting standard which can be adopted by entities applying UK GAAP in accounting periods commencing before 1 January 2015. It should be noted that SSAP 13 has been withdrawn for accounting periods commencing on or after this date.

The standard addresses the question of what R&D is and says how expenditure on R&D should be treated.

How SSAP13 treats the expenditure

Expenditure on pure and applied research can be regarded as part of the continuing operation required to maintain a company's business and its competitive position. The costs should be written off as they are incurred.

The development of new products is distinguishable from pure and applied research. It is normally undertaken with a reasonable expectation of specific commercial success and of future benefits arising from the work, either from increased revenue and related profits or from reduced costs.

It is permitted to capitalise development expenditure in the balance sheet if certain criteria are met. (You should not confuse this accountancy use of the word capitalise with the question of whether or not it is capital for tax purposes, see [CIRD81700 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81700\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81700).)

Even if these conditions are satisfied SSAP13 does not require the costs to be capitalised in the balance sheet. It merely provides an option - write off the expenditure immediately or capitalise the expenditure in the balance sheet. The financial statements should disclose whichever policy is adopted.

HMRC officers with questions concerning accountancy should consult an HMRC advisory accountant.

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