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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD250140 - Patent Box: anti-avoidance:tax advantage schemes: R&D fraction

CTA10/S357FB(2)(b)(iv)

The effect of multiplying an R&D fraction which is less than 1 with the relevant stream of income to which that R&D relates is a reduction to the amount that can be included in the Patent Box and to which a lower rate of tax applies.

There are several terms in the R&D fraction and altering any one of them will have an overall effect. Increasing terms in the numerator (Direct R&D expenditure and unrelated third party R&D expenditure) will increase the fraction whilst reducing acquisition costs and related party subcontracting costs which only appear in the denominator will also increase the fraction.

This provision ensures that schemes to inflate the R&D fraction are included in the types of scheme to which CTA/10s357 (Tax advantage schemes) applies.

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