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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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## CIRD75300 - VRR: qualifying expenditure: on direct R&D

### FA02/SCH13/PARA3 - 5, FA00/SCH20/PARA2, PARAS 5, 6, & 8

A qualifying R&D activity is R&D relating to certain specified diseases [CIRD76000](#)  
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird76000>).

Relevant R&D is R&D:

- related to a trade that a company carries on, or
- from which it is intended that a trade to be carried on by the company will be derived.

R&D related to a trade carried on by a company includes any R&D which may lead to or facilitate an extension of the trade.

Qualifying expenditure on direct R&D is expenditure incurred by a company on:

- staffing costs [CIRD83000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83000>),
- consumable stores [CIRD82450](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82450) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82450>) (for expenditure incurred before 1 April 2004),
- consumable items [CIRD82300](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82300) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82300>) (for expenditure incurred on or after 1 April 2004), and
- software [CIRD82500](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82500) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82500>) (for expenditure incurred on or after 1 April 2004),

for a qualifying R&D activity directly undertaken by the company and that satisfies the following conditions:

- the qualifying R&D activity must relevant R&D in relation to the company,
- the expenditure must not be capital expenditure and it must not be subsidised,
- the company must not incur the expenditure in carrying out activities contracted out to it by somebody else.

A company's R&D expenditure is subsidised to the extent that its cost is met by another person. Subsidised expenditure is not excluded from the relief entirely; you calculate the VRR on the amount net of the subsidy. However, if the R&D project is funded even in part by a notified State aid (typically, a government grant) then no VRR is given. (For this purpose only, SME tax relief and SME tax credit are not treated as State aids).

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