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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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## CIRD82400 - R&D tax relief: categories of qualifying expenditure: consumable items - meaning of consumed or transformed

It is not possible to offer a simple definition, because of the variety of possible circumstances. It does say specifically in statute that the term ‘consumable or transformable materials’ includes water, fuel and power (CTA09/S1125(2)). Apart from these specific items we then have to deal with the generality of the wording. The key aspect is that the expenditure must be on items that are used by the R&D and are no longer so useable in

their original form, because they are finished up, or transformed.

A good example of a consumable item would be a laboratory chemical used in the R&D process which is used up in the R&D process, or converted to an unusable product. In this context HMRC officers would not seek to exclude expenditure on chemicals where it is economical (or environmentally necessary) to recycle them, so long as they were initially consumed or transformed.

Another example might be of electronic components that are integrated into a larger assembly in such a way that they are effectively transformed into part of a larger prototype, and are no longer available for use for other purposes. The Finance Act 2015 rules might apply if the prototype was sold, see CIRD 82300.

For expenditure incurred in the production of goods and services please see [CIRD81350](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81350) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81350>)

For expenses where there may be a standing charge as well as a charge based on usage, and that need apportionment, any standing charges should also be apportioned.

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