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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
([/government/organisations/hm-revenue-customs](#))

Published 11 March 2016

Updated: 10 September 2025 - [See all updates](#)

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CIRD112300 - R&D Tax Reliefs: reformed reliefs: new RDEC: calculation: amount of qualifying expenditure

Qualifying Chapter 1A expenditure is expenditure that is:

- Not attributable to an exempt foreign permanent establishment ([CIRD190000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird190000>))

- Revenue in nature (see [CIRD81700](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81700>) , [BIM35000](#) (<https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim35000>))
- Allowable as a deduction in calculating the company's profits chargeable to corporation tax for the period in which the claim is made. A deduction permitted by CTA09/S1308 is an allowable deduction (see [CIRD81450](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81450>)).
- Incurred on activity that is R&D for tax purposes (see [CIRD81910](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81910>)) that is relevant to the company's trade (see [CIRD81400](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81400>))
 - For data and cloud computing costs ([CIRD135000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird135000>)), companies can only include expenditure on direct R&D costs – not on qualifying indirect activities within the exhaustive list given at Para. 31 of the DSIT guidelines ([CIRD81910](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81910>))
- Not attributable to R&D contracted out to the claimant, unless the client is, or is treated as being, an irrelievable client (see [CIRD160000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird160000>) and following)
- Within one of the qualifying cost categories (see [CIRD130000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird130000>))

- For contracted out R&D costs (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>) and [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>)):
 - incurred on R&D activity in the UK or exempt from the overseas restrictions in virtue of CTA09/S1138A (see [CIRD150000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird150000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird150000>)) and
 - restricted to 65% of payments to unconnected contractors (where connected parties or parties who have elected to be treated as connected are involved, more than 65% of payments to contractors may be claimable – 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>))
- For EPW costs, either:
 - incurred on EPWs whose earnings are, wholly or in part, subject to UK PAYE (see [CIRD137000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird137000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird137000>)) or
 - on R&D activity based outside the UK for which the CTA09/S1138A exemption applies (see [CIRD150000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird150000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird150000>)) and
 - restricted to 65% for unconnected EPW payments (where connected parties or parties who have elected to be treated as connected are involved, more than 65% of payments to EPW's may be claimable – see [CIRD137000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird137000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird137000>))
- Paid before the claim is made (see [CIRD132000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird132000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird132000>))

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Transitional provisions apply in certain circumstances, please see [CIRD165000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird165000>).



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