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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD80560 - R&D tax relief: examining a claim: R&D records

There is a difference between making an unexpected discovery and the carrying out of R&D. For there to be R&D there needs to be a systematic project seeking to achieve an advance in science or technology... The records kept by individual companies will vary; larger concerns with more than one project would be expected to have a more structured approach to record keeping than might be the case for small start-up companies undertaking their first project. But it is in the nature of R&D that it should be conducted

systematically, and this should leave its trace in the records available. The meaning of project is dealt with in paragraph 19 of the BIS Guidelines (formerly DTI Guidelines) ([CIRD81900](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81900) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81900>)).

For an R&D project, you would commonly expect to see some form of project planning material that may cover:

- What the R&D aim of the project is - i.e what advance in science or technology is being sought. This would be expected to include references to the current state of knowledge and/or technology and indicate what scientific or technological hurdles have to be overcome to achieve the desired advance.
- A link between the outcome of the R&D project and its effect on the commercial prospects for the company - In order to meet the relevant to the trade tests ([CIRD81400](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81400) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81400>)) one would expect to see the R&D project (or the larger commercial project in which it is embedded) considered in terms of its benefit to the company.
- A review of the current state of knowledge - One cannot be prescriptive about what form this would take but it might include any patent searches, reviews of the scientific or technological aspects of competitor products, and trade journal or scientific articles which indicate the state of knowledge and advancement in the particular sector, technology or trade.
- What difficulties are foreseen for the project - This would include a review of the scientific or technological uncertainties (not just 'we don't know if it could work' but an indication of the specific areas of scientific or technological uncertainty that would have to be resolved in

the context of the current state of scientific or technological knowledge in the field).

- A structure for the project setting out the activities, who will undertake them, and what the stages are that need to be achieved to get the desired result.
- Notes on the particular expertise specific employees, consultants or subcontractors will bring to the project, why they have been selected and what they are expected to do.

But, particularly for small companies, not all of this may be formally documented. So HMRC officers should be prepared to consider other relevant contemporary evidence that is available.

As the project develops you may also find:

- notes on how the uncertainties and other challenges were overcome (or not),
- information about any major changes to the aims, or new uncertainties that have been encountered,
- details of any patent applications filed, or how any resultant, identified intellectual property is to be protected,
- internal progress reports.

Where the company has obtained funding to undertake the project, they will often have set out details of the aim of their project for the funders. The company's other publicity material may give similar information. While this type of material is generally useful background information that will help HMRC to understand the context, it is, however, likely to focus on the final product, and its degree of innovation and customer appeal, rather than concentrating on the scientific or technological uncertainties. A unique product is not necessarily the result of R&D. It can be commercially unique without constituting or involving scientific or technological advances. Because of this, the background material is rarely conclusive evidence that there is R&D for the

purposes of the relief, but it will help identify the project and consider it in its proper context.

In cases where the background material shows that a final product is deliverable in a short timescale this may be indicative that there was not the required element of scientific or technological uncertainty needing to be resolved.

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