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Corporate Intangibles Research and Development Manual

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CIRD89705 - R&D Tax reliefs: R&D expenditure credit (RDEC) Scheme: overview

Finance Act 2013 introduced a stand-alone credit to be brought into account as a receipt in calculating the profits of large companies for research and development (R&D) expenditure incurred on or after 1 April 2013 known as the Research and Development expenditure credit (RDEC). The RDEC scheme does not alter the way qualifying activity is identified or how

qualifying expenditure is calculated. It is only the method of giving the relief that has changed.

The legislation is contained at CTA2009 Chapter 6A with consequential amendments to FA1998, FA2007 and CTA2010. Part 13 of CTA2009 is amended to reflect the abolition of the Large Scheme from 1 April 2016.

For profit making companies the credit discharges corporation tax liability that the company would have to pay. Companies with no corporation tax liability will benefit from the RDEC either through a cash payment or a reduction of tax or other duties due.

Claims by an SME

The introduction of RDEC does not affect claims made under the SME scheme. However, SMEs will be able to claim the RDEC in the same circumstances as they can currently claim under the existing large company scheme. As with loss making large companies SMEs will now be able to claim a payable credit under the RDEC subject to certain restrictions and set offs on such claims

Features of the RDEC scheme

- A large company cannot generally claim expenditure on subcontracted R&D as qualifying expenditure ([CIRD84200 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84200\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84200)).
- Subject to certain conditions, a large company can claim payments made as contributions to independent research as qualifying expenditure ([CIRD82200 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82200\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82200)).
- Under the RDEC scheme as with the large company scheme any subsidies received are not deducted from the qualifying R&D expenditure ([CIRD89000 \(https://www.gov.uk/hmrc-internal-](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird89000)

[manuals/corporate-intangibles-research-and-development-manual/cird89000\)\)](#).

- There are provisions for the recovery of relief where a company receives a refund of some qualifying R&D expenditure ([CIRD87500](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird87500>)).

Claims process changes from April 2023

All R&D Claims from 1 April 2023 which include amended claims must be submitted digitally.

For accounting periods starting on or after 1 April 2023 some customers will need to submit a Claim Notification form for their R&D claim to be valid. Please [see CIRD81800](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81800>) for more information [Tell HMRC that you're planning to claim Research and Development \(R&D\) tax relief - GOV.UK](#) ([www.gov.uk](https://www.gov.uk/guidance/tell-hmrc-that-youre-planning-to-claim-research-and-development-rd-tax-relief)) (<https://www.gov.uk/guidance/tell-hmrc-that-youre-planning-to-claim-research-and-development-rd-tax-relief>).

For claims made on or after 8 August 2023 for an R&D claim to be valid a customer must submit an Additional Information form.

The additional information form can be accessed on gov.uk [Submit detailed information before you claim Research and Development \(R&D\) tax relief - GOV.UK](#) ([www.gov.uk](https://www.gov.uk/guidance/submit-detailed-information-before-you-claim-research-and-development-rd-tax-relief)) (<https://www.gov.uk/guidance/submit-detailed-information-before-you-claim-research-and-development-rd-tax-relief>). (See [CIRD81800](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81800>)).

Claims process (including details of changes to amended returns from 1 April 2019)

Chapter 6A CTA 2009 S104B

Claims will be made in the Company Tax Return or amended return and subject to the normal time limit for submitting a return or an amended return i.e. 2 years from the end of the accounting period.

For accounting periods ending on or after 1 April 2015 claims are made in version 3 of the Company Tax Return. Entries are required in boxes 530, 545, 570, 605 and 880 as detailed in question 6 at [CIRD89890 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird89890\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird89890). Entries in Box 530 are made by completing the supplementary page CT600L. The CT600L needs to be completed and submitted whenever a claim for Payable Tax Credit or R&D Expenditure Credit is made. The address for guidance in filling out the new Company Tax Return and CT600L is as follows;

<https://www.gov.uk/government/publications/corporation-tax-company-tax-return-ct600-2015-version-3>(link is external)
(<https://www.gov.uk/government/publications/corporation-tax-company-tax-return-ct600-2015-version-3>)

For accounting periods ended before 1 April 2015, claims are made in version 2 of the Company Tax Return.

Link to [CT600 Guidance](http://search2.hmrc.gov.uk/kb5/hmrc/forms/view.page?record=hFDYO8w0oOw&formId=3956)
(<http://search2.hmrc.gov.uk/kb5/hmrc/forms/view.page?record=hFDYO8w0oOw&formId=3956>) (version 2 of the Company Tax Return)

From 1 April 2019 all R&D claims which are made in an amendment to a return need to include a completed CT600 and a corporation tax computation.

Most amendments to a return are made through the Corporation Tax Online Service (also known as the COTAX gateway - details are in the COTAX Manual [COM] at COM130001) and already include a completed CT600 and a corporation tax computation. Those claims are not affected by this change. However, where the Corporation Tax Online Service is used to make an amendment to

a return but a company does not include both a completed CT600 and a corporation tax computation no valid claim will have been made until both documents have been received. Any missing document can be included as an enclosure to an email.

All claims which are not made through the Corporation Tax Online Service must include a completed CT600 and a corporation tax computation. These items can be included as an enclosure to an email.

All claims in respect of which the CT600 and/or the corporation tax computations have not been provided electronically through the Corporation Tax Online Service will, for the purposes of the content in [CIRD80525 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird80525\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird80525) under the heading 'Once filed', be treated as not having been made electronically.

S104B confirms that a company may not claim RDEC and for relief under Part 13 (additional relief for expenditure on research and development) in respect of the same expenditure.

SME companies can continue to claim either an enhanced deduction or a payable credit under the SME scheme but in addition can claim RDEC where the expenditure does not attract SME relief but instead qualifies under the large company scheme or RDEC scheme due to one of the specific exclusions from the SME scheme set out in [CIRD89740 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird89740\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird89740).

Where a company has incurred qualifying R&D expenditure prior to 1 April 2013 and these costs have been held on the balance sheet the R&D benefit should be claimed under the large company scheme rather than the RDEC scheme even if the release occurs after 1 April 2016.

At the end of the RDEC guidance there are Notes to R&D expenditure credit (RDEC) and four worked examples: [CIRD89900](https://www.gov.uk/hmrc-internal-manuals/cird89900) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird89900>).

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