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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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[Back to contents](#)

## CIRD136100 - R&D Tax Reliefs: reformed reliefs: categories of qualifying expenditure: software, data licenses, cloud computing services and consumables: consumable items: meaning of consumed or transformed

### 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 used 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 into an unusable product. In this context HMRC would not seek to exclude expenditure on chemicals even 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. If the prototype was sold, consider the section entitled “Items represented in products for onward sale” in [CIRD136000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird136000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird136000>).

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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