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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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## CIRD122300 - R&D Tax Reliefs: reformed reliefs: ERIS: calculation: pre-trading companies

CTA09/S1045

Pre-trading companies do not have a trade chargeable to CT, and so are unable to take into account an additional deduction in calculating their tax adjusted trading loss.

Pre-trading expenditure can receive relief under ERIS in one of two ways:

- By making an election under CTA09/S1045
- Alternatively, for expenditure incurred within 7 years of beginning to trade, a deduction can be taken in the accounting period in which the company begins to trade under CTA09/S61 (see guidance in the Business Income Manual at [BIM46351 \(https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim46351\)](https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim46351))

Please note that expenditure incurred before incorporation of a company is not expenditure of the company and cannot qualify for relief in its hands.

### **Conditions for the election (CTA09/S1047)**

The election for deemed losses for an accounting period:

- must be made by notice in writing to an officer of Revenue and Customs.
- must be made within 2 years of the end of the accounting period to which it relates,
- cannot be made by a company which is not a going concern (CTA09/S1112F) -see [CIRD191000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird191000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird191000).
- applies to all of the company's qualifying R&D expenditure.

Expenditure in respect of which an election has been made will **not** be eligible for any deduction under CTA09/S61 (CTA09/S1045(8)).

Where an election is made, the company is treated as having a trading loss equal to 186% of the qualifying expenditure (CTA09/1045(7)).

For the tax credit surrender, the amount of the surrenderable loss is so much of the deemed trading loss as is unrelieved, where unrelieved takes the same meaning as for trading companies (see [CIRD122000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird122000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird122000)).

As with trading companies, claiming the tax credit is optional. If a tax credit is claimed, there is no requirement to claim the maximum amount available.

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