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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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## CIRD99200 - R&D tax credits: accountancy: IAS38

IAS38 is the international accounting standard for intangible assets. In addition to those entities who prepare their accounts under IAS, IAS38 will also be relevant to those entities who prepare their accounts under the UK accounting standard FRS101.

### How IAS38 treats the expenditure

IAS38 adopts a similar approach to FRS102 s18. It considers R&D expenditure in the context of internally generated intangible assets and distinguishes between two distinct phases: a research phase and a development phase. The definitions and types of activities that would fall into each phase under IAS38 are the same as those under FRS102 s18 (see [CIRD99150](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird99150) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird99150>)).

As is the case under FRS102 s18, IAS38 requires expenditure of the research phase of a project to be recognised as an expense when incurred.

Under IAS38, all expenditure of the development phase of a project which meets certain criteria must be capitalised in the balance sheet as the cost of an intangible asset. Unlike FRS102 s18, IAS38 does not permit development expenditure which meets the criteria to be expensed as incurred. Development expenditure which does not meet the criteria is recognised as an expense when incurred.

HMRC officers with questions concerning accountancy should consult an HMRC advisory accountant.

## **R&D expenditure incurred after adoption of IAS or FRS101**

See [CIRD81450](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81450) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81450>).

## **R&D expenditure incurred before adoption of IAS or FRS101 and written off through the profit and loss account**

If R&D revenue expenditure which has previously been expensed is written back to the balance sheet as an intangible asset as a result of adoption of IAS or FRS101, only to be amortised

over a greater period under IAS38, this change of accounting practice will fall within the provisions of CTA09/S183(1) - with the uplift being exempt from tax and the subsequent amortisation not being allowed.

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