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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD98500 - R&D tax relief: legislative structure and time line: IAS changes FA04/S53 (now CTA09/S1308)

In 2002 the EU approved a Regulation (having direct effect in member states) that requires the consolidated (group) accounts of companies governed by the law of a Member State, whose securities are admitted to trading on a regulated market in any Member State in the European Union ('publicly traded companies'), to be drawn up using IAS from 2005. These consolidated accounts are not used for tax purposes.

In August 2003 BIS (formerly DTI) announced that the UK would take up an option in the Regulation to permit, but not require, all UK companies to use IAS to draw up their accounts, also from 2005.

At the time, IAS differed from UK GAAP in a number of specific areas. In the area of R&D expenditure, IAS38 made mandatory the treatment of some development expenditure as an intangible asset rather than as an expense. (In the UK SSAP 13 and then FRS 102 made this asset treatment optional providing certain conditions on the feasibility of the projects are satisfied.)

If IAS was adopted for company level accounts this difference in treatment might have delayed the availability of the R&D tax relief. For that reason FA04/S53 (now CTA09/S1308) provides that the recognition of R&D revenue expenditure as an intangible asset on the balance sheet should not be a bar to deductibility for tax purposes at the time the expenditure was incurred. The practical effects of the change are described at [CIRD81450](https://www.gov.uk/hmrc-internal-manuals/cird81450) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81450>), the measure being brought into effect by statutory instrument.

For past expenditure that has been written off to the profit and loss account [CIRD99400](https://www.gov.uk/hmrc-internal-manuals/cird99400) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird99400>) describes the tax treatment if it has to be written back into the accounts as an intangible asset.

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