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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD91900 - R&D tax relief: SME definitions: increases in thresholds

The SME relief was extended in relation to expenditure incurred on or after 1 August 2008 (CTA09/Ss1119 - 1121). For the purposes of R&D relief a SME is a company which meets the normal conditions specified in the EU SME definition, except that it may have up to 500 staff, turnover up to €100m and balance sheet total up to €86m. Companies satisfying this widened definition are entitled to R&D relief under the SME, rather than the large company, rules.

Since a company's status as an SME in one period may be affected by its status in earlier periods, the higher thresholds are deemed, for the purpose, only, of determining the correct treatment of expenditure on or after 1 August 2008, to have always applied.

Example

A company makes its accounts up to 31 December. For the period ending 31/12/06, it had 300 employees, turnover €110m and balance sheet total €70m.

For the purpose (only) of determining the tax treatment applying to its expenditure from 1/8/08, it is therefore considered to have met the thresholds in the period ending 31/12/06.

If the company continued to meet the thresholds for the period ending 31/12/07, it will then be regarded as having satisfied them for two years running. It may therefore (if it meets the other conditions of the scheme) be entitled to claim under the SME, rather than the large company, rules for expenditure incurred on or after 1/8/08 (unless the company loses its SME status in the year to 31/12/08 by being taken over).

As regards its expenditure to 31 July 2008, it remains a large company.

It is possible that a company which was large and becomes a SME on this basis may have been entitled to relief under the rules of the Large Company Scheme (see [CIRD85000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird85000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird85000>)) but will not be entitled under the SME Scheme rules if it is not entitled to any intellectual property arising from the R&D (CTA09/Ss1052(4), 1053(3)). This condition only applies for accounting periods ending before 9 December 2009. In such a case the company would not be entitled, as a SME, to additional relief for large companies (CTA09/Ss1070 - 1072; 1134-

1136) because that relief is only available where the SME fails to qualify because its expenditure is subsidised or exceeds the €7.5m cap.

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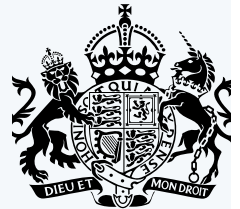
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