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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD75525 - VRR: subcontracting to charities, universities and scientific research organisations

FA02SCH13/PARA 6 defines qualifying expenditure on subcontracted R&D for the purposes of VRR. Paragraphs 7 to 11 of Schedule 13 FA 02 set out the conditions that must be met for that expenditure to qualify for relief.

FA02/SCH13/PARA 6(3) allowed for the conditions set out in paragraphs 7 to 11 to be disapplied for the purposes of VRR where the sub-contractor is a

charity, a university or a scientific research organisation [CIRD75500 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird75500\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird75500).

The only conditions that needed to be satisfied for payments to a charity, university or scientific research organisation to be qualifying expenditure on subcontracted R&D for VRR purposes were:

- The expenditure must not be subsidised or be capital expenditure.
- The expenditure must be on R&D directly undertaken by the sub-contractor on behalf of the company and must be on qualifying R&D activity.
- The R&D activity in respect of which the expenditure is incurred is relevant R&D in relation to the company.

See [CIRD75300 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird75300\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird75300).

Section 27 FA 2008 repealed FA02/SCH13/PARA 6(3) and expenditure incurred on or after 1 August 2008 on subcontractor payments to a charity, university or scientific research organisation must meet the conditions set out in paragraphs 7 to 11 Schedule 13 FA 02 in the same way as all other subcontractor payments.

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