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Corporate Intangibles Research and Development Manual

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CIRD25160 - Intangible assets excluded from CTA09/PART8 as special tax rules apply: R&D: approach CTA09/PART8/S814

Background

Accounting standards dealing with expenditure on R&D include FRS102 s18, IAS38, FRS105 s13 and SSAP13. The specific requirements of these accounting standards differ but, with the

exception of FRS105 s13, all will potentially result in some R&D expenditure being written off as incurred and some being included as an intangible asset (under FRS105 s13, all R&D expenditure is written off as incurred). There is a brief overview of the standards at [CIRD99100](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird99100>) and [CIRD99200](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird99200>).

For CT purposes, revenue expenditure on R&D will normally be deductible when it is written off in the accounts. Some revenue expenditure will also qualify for R&D tax relief, see:

- [CIRD90000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90000>) onwards for research and development tax relief for small or medium sized enterprises;
- [CIRD85000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird85000>) onwards for research and development tax relief for large companies; and
- CA60000 onwards for the rules allowing a company to deduct capital expenditure on research and development as it is incurred, regardless of the accounting treatment.

Effect of provision

CTA09/PART8 preserves this position by excluding expenditure on research and development from the provisions in CTA09/PART8/CHAPTER3 ([CIRD11000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11000>) onwards) which are concerned

with expenditure written off as incurred and with deductions for sums written off assets.

Receipts from the exploitation of research and development remain within CTA09/PART8.

Where an asset representing research and development, or their fruits, is realised, deductions for the cost of the asset under CTA09/PART8/CHAPTER4 ([CIRD13210](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13210) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13210>) onwards) do not include expenditure on that research and development. That is because the expenditure will be deductible under the CT provisions outside CTA09/PART8.

[CIRD25170](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25170) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25170>) lists the computational provisions in Chapters 2 to 4 of CTA09/PART8 that continue to apply to assets representing expenditure on research and development.

The definition in CTA10/S1138 of R&D applies, with the inclusion of expenditure on oil and gas exploration and appraisal (see [CIRD81900](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81900) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81900>)).

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