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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD111000 - R&D Tax Reliefs: reformed reliefs: new RDEC: overview

The Finance Act 2024, which received Royal Assent on 22 February 2024, amended the Corporation Tax Act 2009 (CTA09) to abolish the old RDEC scheme in Chapter 6A of Part 3 CTA09 and replace this with the new merged scheme RDEC (hereafter “new RDEC”) in Chapter 1A of Part 13 CTA09, with effect for accounting periods beginning on or after 1 April 2024. The commencement date of 1 April 2024 is the “appointed day” for the purposes of FA24/SCH1/16(2). This was defined in Treasury

regulations issued on 4 March 2024 ([SI2024/286](https://www.legislation.gov.uk/uksi/2024/286/contents/made) (<https://www.legislation.gov.uk/uksi/2024/286/contents/made>)).

FA24 also modified Chapter 2 of Part 13 to make separate provision for loss-making R&D-intensive SMEs – known as enhanced R&D intensive support (ERIS). This is dealt with at [CIRD120000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird120000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird120000>) and following.

Aspects common to or affecting both schemes are covered in [CIRD130000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird130000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird130000>) and following.

Companies may be eligible to claim under both schemes, but if this is the case they may not claim under more than one scheme for the same qualifying expenditure. Only companies (see [CIRD81200](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81200) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81200>)) with a trade chargeable to UK corporation tax can claim the new RDEC. Ineligible companies (see [CIRD163000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird163000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird163000>)) cannot claim. Expenditure attributable to exempt foreign permanent establishments cannot qualify (see [CIRD190000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird190000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird190000>)).

Features of the new RDEC

There is a single set of rules for claimants of any size

- The new RDEC remains a taxable credit (deemed trading income) calculated as a percentage of qualifying R&D expenditure
- The calculation and the payment steps are broadly similar to the old RDEC scheme, however:
 - a lower rate of notional tax restriction at step 2 of the payment steps is available to small

profit-makers and to loss-makers (see [CIRD112100 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird112100\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird112100))

- a more generous PAYE cap applies at step 3 (see [CIRD140000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird140000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird140000))
- Expenditure on contributions for independent R&D (see [CIRD82200 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82200\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82200)) can no longer be claimed for
- Subject to transitional provisions ([CIRD165000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird165000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird165000)), claimants generally:
 - can claim for expenditure on R&D contracted out by them
 - can't claim for expenditure on R&D contracted out to them
- The approach to defining when R&D is contracted out is different from both the old SME scheme and RDEC scheme. See [CIRD160000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird160000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird160000) and following.
- Contractor and EPW payments are subject to overseas restrictions ([CIRD150000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird150000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird150000))
- Otherwise, the categories of qualifying expenditure remain substantially unmodified from the old RDEC

Under the nominations and assignments restrictions (CTA09/S1142C & D) the general rule is that HMRC will only pay an amount of step 7 (see [CIRD112100 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird112100\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird112100)) payable RDEC direct to the claimant company. Guidance on these

restrictions is available at CIRD81805.

While referred to as a “relief” in numerous places for convenience, the new RDEC is not strictly a tax relief but a taxable credit. This means that, for example, no consequential claim to RDEC may be made under FA98/SCH18/PARA65.

Guidance on the claims process for both ERS and new RDEC is available at [CIRD180000](https://www.gov.uk/hmrc-internal-manuals/cird180000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird180000>) and following.



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