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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD274300 - Patent Box : Terms of the Fraction: R&D Direct expenditure CTA10/s357BLB

S357BLB CTA10

D is the company's qualifying expenditure on relevant R&D undertaken in house which means the expenditure incurred by the company during the relevant period and meeting conditions A and B below:

Condition A –: it is incurred on staffing costs, software or consumable items, externally provided workers or relevant payments to the subjects of clinical trials. Expenditure within Condition A refers directly to expenditure treated as R&D in accordance with generally accepted accounting practice (GAAP) and brought into the company's accounts. The company does not have to have made an R&D tax credit claim. This is because the company may, for various reasons, not actually qualify for R&D tax credits (although where they do, the application of similar definitions is intended to make record keeping easier). Companies should ensure that their accounting systems are able to capture this data going forward.

Condition B –:it is attributable to relevant R&D (as defined in S1138 CTA 2010 and [CIRD274200](https://www.gov.uk/hmrc-internal-manuals/cird274200) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird274200>)) undertaken by the company itself

Links to definitions of expenditure included within these categories are below:

- staffing costs [CIRD83000](https://www.gov.uk/hmrc-internal-manuals/cird83000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83000>),
- consumable items [CIRD82300](https://www.gov.uk/hmrc-internal-manuals/cird82300) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82300>)
- software
- Externally provided workers are defined at [CIRD84100](https://www.gov.uk/hmrc-internal-manuals/cird84100) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84100>) (See below for further details)
- Relevant payments to the subjects of clinical trials. [CIRD81920](https://www.gov.uk/hmrc-internal-manuals/cird81920) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81920>)

For accounting periods commencing on or after 1 April 2023 expenditure on data licences and cloud computing services are included in addition to the above categories.

Please note Patent Box has not followed the rule changes to Overseas Expenditure Provisions and Contracted Out Expenditure that have effect to the R&D Tax Relief Schemes from 1 April 2024. For Patent Box purposes the pre-April 1 2024 rules continue to apply.

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