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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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## CIRD82100 - R&D tax reliefs: categories of qualifying expenditure: overview

As is mentioned at [CIRD81100](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81100>) one of the conditions for R&D tax reliefs being due is that there is qualifying expenditure. When the SME scheme [CIRD90000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90000>) was first introduced the categories of qualifying expenditure were:

- Staffing costs [CIRD83000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83000)  
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83000>)
- Consumable stores [CIRD82450](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82450)  
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82450>)
- Subcontracted R&D [CIRD84200](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84200)  
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84200>)

For each category it is only expenditure incurred after the inception of the schemes that can qualify.

### **Introduction of new category in FA02 - contributions to independent research**

With the introduction of the large company scheme [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>) a new category was introduced, contributions to independent research [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>). This is only available to large companies. While staffing costs and consumable stores were the same for large companies qualifying expenditure on subcontracted R&D for large companies was more restricted than for SMEs ([CIRD84200](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84200) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84200>)).

### **Introduction of new category in FA03 - expenditure on externally provided workers**

A new category of qualifying expenditure for expenditure on externally provided workers was introduced for expenditure incurred on or after 9 April 2003 for large companies and expenditure incurred after 26 September 2003 for SME companies ([CIRD84000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84000>)).

[internal-manuals/corporate-intangibles-research-and-development-manual/cird84000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84000))).

## **Changes to categories in FA04 - software and consumable or transformable items**

For both the SME scheme and the large companies scheme consumable stores ceased to be a category of qualifying expenditure for expenditure incurred on or after 1 April 2004 and new categories of expenditure on software [CIRD82500 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82500\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82500) and expenditure on consumable or transformable materials [CIRD82300 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82300\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82300) were introduced. As the new consumable items category is wider than its predecessor, anything that qualified as consumable stores previously will still qualify, but the new categories are not retrospective, and so expenditure incurred before they came into force has to be tested against the old rules.

## **Changes to categories in FA06 - expenditure on clinical trial volunteers**

A new category of qualifying expenditure for expenditure on subjects of clinical trials was introduced for expenditure incurred after 1 April 2006 for large companies and expenditure incurred on or after 1 August 2008 for SME companies ([CIRD84400 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84400\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84400))).

## **Payment**

Where the underlying legislation requires not only that there be expenditure, but also payment, this means that the amount must actually be paid.

While the payment in these circumstances need not have been made by the end of the accounting period in which the expenditure is shown, it must have been made before the claim to R&D tax relief can be valid. This approach does not alter the time limits for making a claim, but it does mean that the

claim cannot be accepted before payment is made.

There is a paid requirement in respect of:

- staffing costs [CIRD83000](#)  
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83000>),
- externally provided workers [CIRD84000](#)  
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84000>),
- subcontracted R&D (SME scheme) [CIRD84200](#)  
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84200>),
- clinical trial subjects [CIRD84400](#)  
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84400>), and
- contributions to independent R&D [CIRD82200](#)  
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82200>).

For accounting periods beginning on or after 1 April 2023, there is also a paid requirement in respect of:

- computer software [CIRD82500](#)  
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82500>)
- data licences
- cloud computing services
- Consumable or transformable materials [CIRD82300](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82300>)

## Changes consequential to ITEPA03

There were changes in the definition of staffing costs that arose due to amendments of the

legislation when ITEPA03 was introduced. The inadvertent change, which applied to accounting periods ending on or after 6 April 2003, was cancelled for any expenditure incurred on or after 1 April 2004 ([CIRD83200 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83200\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83200)).

## **Introduction of new category in FA23 – Data Licenses and Cloud Computing Services**

For accounting periods starting on or after 1 April 2023 Data licence and Cloud computing services costs can be qualifying expenditure when employed in activities which directly contribute to the resolution of scientific or technological uncertainty.



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