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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
([/government/organisations/hm-revenue-customs](#))

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CIRD163000 - R&D Tax Reliefs: reformed reliefs: contracted out R&D: ineligible companies

CTA09/S1142

Ineligible companies cannot claim R&D tax relief.

Any of the following is an ineligible company:

- a charity
- an institution of higher education such as a university

- a scientific research organisation
- a health service body

The Treasury may make an order prescribing a body as an ineligible company (CTA09/S1142(1)(e)).

Group election

Two group companies can make a joint election under CTA09/S1142(5). The effect of this election is that:

- In respect of any R&D contracted out by one to the other, the one contracting R&D out is to be treated as an ineligible company
- Where relief would not otherwise be available for activity undertaken by the contractor, because it is not R&D in that company's hands, but it is R&D for the customer, the activity is treated as if it were R&D for the contractor

Further guidance on the group election is available at [CIRD164000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird164000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird164000).

Transitional provisions

The provisions at FA24/Para 18(4) & (5) deem a company to be ineligible in certain circumstances – see [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).



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