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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD90500 - R&D tax relief: SME scheme: payable tax credit - for surrenderable loss [CTA09/Ss1054 - 1057](#)

An SME may claim a payable R&D tax credit for an accounting period in which it has a surrenderable loss. The claim must be made in a return or an amendment to a return on or before the first anniversary of the filing date for the accounting period - **FA98/SCH18/PARA83E (1)**.

An R&D tax credit is not taxable income of the company.

Going concern (S1057)

A company may only make a claim under **section 1054** at a time when it is a going concern. See [CIRD81130 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81130\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81130).

Surrenderable loss (S1055)

A company has a surrenderable loss if in an accounting period the company:

- obtains an additional deduction under section 1044 in calculating the profits of a trade and it makes a trading loss in that period in the trade, or
- it is treated as making a trading loss under section 1045.

For expenditure incurred on or before 31 July 2008 the amount of the surrenderable loss is the **lesser** of:

- the amount of the unrelieved trading loss sustained in that period and
- 150% of the related qualifying R&D expenditure.

For expenditure incurred on or after 1 August 2008 the amount of the surrenderable loss is the **lesser** of:

- the amount of the unrelieved trading loss sustained in that period and
- 175% of the related qualifying R&D expenditure

For expenditure incurred on or after 1 April 2011 the amount of the surrenderable loss is the **lesser** of:

- the amount of the unrelieved trading loss sustained in that period and
- 200% of the related qualifying R&D expenditure.

For expenditure incurred on or after 1 April 2012 the amount of the surrenderable loss is the **lesser** of:

- the amount of the unrelieved trading loss sustained in that period and
- 225% of the related qualifying R&D expenditure.

For expenditure incurred on or after 1 April 2015 the amount of the surrenderable loss is the **lesser** of:

- the amount of the unrelieved trading loss sustained in that period; and
- 230% of the related qualifying R&D expenditure.

For expenditure incurred on or after 1 April 2023 the amount of the surrenderable loss is the lesser of:

- The amount of the unrelieved trading loss sustained in that period

and

- 186% of the related qualifying R&D expenditure

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Unrelieved trading loss (S1056)

The amount of the unrelieved trading loss is the amount of the trading loss less the aggregate of:

- any relief that was, or could be obtained by making a claim to set the loss against profits of

the same accounting period under
CTA10/S37(3)(a),

- any other relief obtained in respect of the loss,
- any amount surrendered to group or consortium members.

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Amount of payable tax credit (S1058)

For expenditure incurred on or before 31 July 2008 amount of payable tax credit that a company is entitled to for an accounting period is the **lesser** of:

- 16% of the surrenderable loss for that period;
- the company's PAYE and NIC liabilities for payment periods ending in that accounting period.

For expenditure incurred on or after 1 August 2008 the amount of payable tax credit that a company is entitled to for an accounting period is the lesser of:

- 14% of the surrenderable loss for that period;
- The company's PAYE and NIC liabilities for the payment periods ending in that accounting period.

For expenditure incurred on or after 1 April 2011 the amount of payable tax credit that a company is entitled to for an accounting period is the lesser of:

- 12.5% of the surrenderable loss for that period;
- The company's PAYE and NIC liabilities for the payment periods ending in that accounting period.

For expenditure incurred on or after 1 April 2012 the amount of payable tax credit that a company is entitled to for an accounting period is;

- 11% of the surrenderable loss for that period;

For expenditure incurred on or after 1 April 2014 the amount of payable tax credit that a company is entitled to for an accounting period is;

- 14.5% of the surrenderable loss for that period;

For expenditure incurred on or after 1 April 2023 the amount of payable tax credit that a company is entitled to for an accounting period is the lesser of;

- 10% of the surrenderable loss for that period
- The sum of £20,000 plus 300% of the company's relevant expenditure on workers for payment periods that end in the accounting period ([CIRD90600 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90600\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90600))

Calculation of the payable tax credit for accounting periods spanning 1 April 2023.

Corporation tax is assessed and charged by reference to accounting periods. Company profits arising in an accounting period are apportioned between the financial years (FY) in which the accounting period falls. S8(5) CTA09 requires that the profits of an accounting period must be apportioned between financial years by reference to the number of days in the period.

Relief on qualifying expenditure may only be calculated at the rate which applied for the FY in which the expenditure was incurred. Where, for example, expenditure which was taken to the balance sheet in one accounting period and then amortised or impaired to the profit & loss account in a later accounting period is the subject of a claim, relief may only be claimed at the rate which applied when the expenditure was incurred.

The following example assumes that all qualifying expenditure was incurred and taken to the profit & loss account in the same accounting period.

Step 1

Identify qualifying R&D expenditure, on the basis of when it was incurred, between FY 2022 and FY2023

Apply the relevant rate of relief (130% or 86%) to the qualifying expenditure to calculate: -

- the relief which the company may claim and
- the sum of relief and qualifying expenditure

for FYs 2022 & 2023.

Step 2

The tax profit/loss for the whole accounting period is calculated, deducting the relief calculated above.

Step 3

Where the company has made a loss for the accounting period this should be apportioned by reference to the number of days in each financial year.

Step 4

Calculate the surrenderable loss and payable tax credit for FY 2022 using the rate of 14.5%

Step 5

Calculate the surrenderable loss and payable tax credit for FY 2023 using the rate of 10%

For the accounting period ended 31 December 2023 Company A incurred the following qualifying expenditure:

- FY 2022 (1/1/2023 to 31/3/2023) £25,000
- FY 2023 (1/4/2023 to 31/12/2023) £75,000

Taxable profits for the accounting period before R&D relief were £30,000

Step 1

FY 2022.

- Relief - £32,500 ($£25,000 \times 130\%$)
- Relief plus expenditure - £57,500 ($£25,000 + £32,500$)

FY 2023

- Relief - £64,500 ($£75,000 \times 86\%$)
- Relief plus expenditure – £139,500 ($£75,000 + £64,500$)

Step 2

Profit before R&D relief £30,000

Less

Relief £97,000

Loss for the period £67,000

Step 3

Loss £67,000

FY 2022 - £16,520 ($((67,000/365) \times 90)$)

FY2023 - £50,479 ($((67,000/365) \times 275)$)

Step 4

Loss - £16,520

Expenditure plus relief £57,500

Maximum payable credit £2,395.40

Step 5

Loss - £50,479

Expenditure plus relief £139,500

Maximum payable credit £5,047.90

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