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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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## CIRD89920 - R&D Tax reliefs: R&D expenditure credit (RDEC) scheme: example 1 Profit-making company in receipt of RDEC

### Application of S104N CTA 2009

#### STEP 1

The set off amount is to be applied in discharging the corporation tax liability of the company for the accounting period.

	<b>Values</b>
Turnover	£16.6m
Other Income	
RDEC (@10%)	£1m
Expenditure	
R&D	(£10m)
Other	(£5m)
Profit	£2.6m
CT profits	£2.6m @ 23% £598,000
RDEC remaining (after discharging liability)	£402,000

The £402,000 is the amount of payable credit remaining after discharging the corporation tax liability for the period.

## STEP 2

If the amount remaining after step 1 is greater than the net value of the set-off amount that amount is to be reduced to the net value of the set-off amount.

Compare the amount remaining after step 1 with the net value of the credit i.e. after deducting the main rate of potential corporation tax on the credit.

	<b>Values</b>
Amount remaining from Step 1	£402,000 (1) with
Net RDEC (£1m less 23%)	£770,000 (2)

### Values

c/fwd lesser of (1) and (2) to Step 3	£402,000
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## STEP 3

If the amount remaining after Step 2 is greater than the company's total expenditure on workers for the accounting period (see section 104P)

a) that amount is to be reduced to the amount of that expenditure (which may be nil),

and

b) the amount deducted under paragraph (a) from the amount remaining after step 2 is to be treated for the purposes of this section as an amount of R&D expenditure credit to which the company is entitled for its next accounting period.

The company's total expenditure on workers is based on the R&D workers' PAYE and NIC (with no restriction for time spent on R&D activity), and R&D group externally provided workers (but restricted to time spent on qualifying R&D activity)

### Values

b/fwd from Step 2	£402,000 (3)
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Relevant PAYE/NIC	£300,000 (4)
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If (4) is less than (3) then the amount is capped.  
£300,000 carried forward to step 4

£102,000 is no longer potentially payable for this period but is carried forward to the following accounting period and added to any expenditure credit for that period and subject again to Steps 1 to 7.

## STEP 4

The amount remaining after step 3 is to be applied in discharging any liability of the company to pay corporation tax for any other accounting period.

### Values

brought/fwd from Step 3	£300,000
Other period CT liability	£100,000
Balance c/fwd to Step 5	£200,000

£100,000 has been used to settle another year's company liability.

### STEP 5

If the company is a member of a group, it may surrender the whole or any part of the amount remaining after step 4 to any other member of the group (see section 104R).

### Values

b/fwd from Step 4	£200,000
CT liabilities of the Group	£ nil
Balance c/fwd to Step 6	£200,000

### STEP 6

The amount remaining after Step 5 is to be applied in discharging any other liability of the company to pay a sum to the Commissioners under or by virtue of an enactment or under a contract settlement.

### Values

b/fwd from Step 5	£200,000
Set off against any other liability	£ nil

### Values

Amount remaining	£200,000
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## STEP 7

The amount remaining after step 6 is payable to the company by an officer of Revenue and Customs but subject to S104S i.e. that the company is a going concern.

### Values

Payable to company	£200,000
Summary	
Discharge against current liability (Step 1)	£598,000
RDEC credit c/fwd (Step 3)	£102,000
CT liability for another accounting period (Step 4)	£100,000
RDEC paid	£200,000
Total	£1,000,000

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