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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD89760 - R&D Tax reliefs: R&D expenditure credit (RDEC) scheme: subsidised qualifying expenditure

Chapter 6A CTA 2009 S104F, G and H

Under GAAP the correct accounting treatment when a subsidy is received is that the subsidy is brought in as a receipt and the subsidised expenditure is recognised in full. Expenditure that is subsidised is therefore deductible in computing

the profits of the trade and can attract R&D expenditure credit

There is no provision preventing subsidised expenditure from qualifying for R&D Expenditure Credit.

SMEs are able to claim R&D Expenditure Credit in respect of expenditure that is not allowed under the SME scheme if:

- the expenditure would have been allowable had the SME been a large company, and
- the expenditure does not qualify under the SME scheme only because it was subsidised ([CIRD81650 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81650\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81650)) (including a notified state aid [CIRD81670 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81670\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81670))).

Such claims will unlike the large company scheme be available for a payable credit providing all other conditions are met.

Example -

A Ltd (an SME company) incurs staffing costs of £500,000 in carrying out relevant R&D in an accounting period beginning 1 July 2013.

A charity provides a £100,000 grant toward the staffing costs for the year.

- £400,000 of the staffing costs are qualifying expenditure under the SME scheme; the 130% enhancement is £520,000, and
- £100,000 of the staffing costs are qualifying expenditure under R&D expenditure credit company scheme i.e. at 13% £13,000 and be paid to the company providing all of the other conditions are met.

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