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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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Published 11 March 2016

Updated: 10 September 2025 - [See all updates](#)

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CIRD121000 - R&D Tax Reliefs: reformed reliefs: ERIS: overview

The Finance Act 2024 modified Chapter 2 of Part 13 of the Corporation Tax Act 2009 (CTA09) to make provision – known as enhanced R&D intensive support (ERIS) - for loss-making R&D-intensive SMEs with effect for accounting periods beginning on or after 1 April 2024. The commencement date of 1 April 2024 was defined in Treasury regulations issued on 4 March 2024 ([SI2024/286](#) (<https://www.legislation.gov.uk/uksi/2024/286/contents/made>)). Retrospective provision (enhanced support

for R&D intensive SMEs), permitting SMEs to claim the higher tax credit rate of 14.5% under the old SME scheme was also made – this is explained at [CIRD123000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird123000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird123000). Unlike under ERIS, R&D intensive SMEs do not have to be loss-making to benefit from this retrospective provision.

FA24 also abolished the old RDEC scheme, and replaced it with the new merged scheme RDEC (hereafter “new RDEC”). This is dealt with at [CIRD110000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird110000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird110000) and following. While new merged scheme RDEC is a new scheme entirely, ERIS can be regarded as a more limited continuation of the old SME scheme, with important modifications.

Aspects common to or affecting both schemes are covered in [CIRD130000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird130000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird130000) and following. Companies may be eligible to claim under both schemes, but if this is the case they may not claim under more than one scheme for the same qualifying expenditure.

The definition of a SME is unchanged - guidance on the SME definition is available at [CIRD91000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91000) and following. Only companies (see [CIRD81200 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81200\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81200)) with a trade chargeable to UK corporation tax can claim ERIS. Ineligible companies (see [CIRD163000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird163000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird163000)) cannot claim. Expenditure attributable to exempt foreign permanent establishments cannot qualify (see [CIRD190000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird190000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird190000)).

Features of ERIS

- Unlike the old SME scheme, enhanced support under ERIS is only available to R&D intensive SMEs which are, before taking the additional deduction, making a trading loss for tax purposes (see [CIRD123000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird123000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird123000>))
- The calculation is the same as the old SME scheme, with an additional deduction brought into account to calculate the tax adjusted trade loss and an optional loss surrender for a payable non-taxable tax credit.
- The maximum credit claimable is subject to a PAYE cap, the rules for which are the same as in the old SME scheme and which is aligned with new RDEC (see [CIRD140000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird140000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird140000>))
- Subject to transitional provisions ([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>)), claimants generally:
 - can claim for expenditure on R&D contracted out by them
 - can't claim for expenditure on R&D contracted out to them
- The approach to defining when R&D is contracted out is different from both the old SME scheme and RDEC scheme. See [CIRD160000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird160000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird160000>) and following.
- Contractor and EPW payments are subject to overseas restrictions ([CIRD150000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird150000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird150000>))

[manual/cird150000](#)) unless an exception applies or the claimant is a company subject to The Research and Development (R&D) Relief (Chapter 2 Relief) Regulations 2024 (CIRD125000)

- Otherwise, the categories of qualifying expenditure remain substantially unmodified from the old SME scheme
- There is no restriction on subsidised expenditure.

While both the additional deduction and the tax credit are referred to under the name of “relief” in numerous places for convenience, these are two separate claims, and only the claim to the additional deduction is a relief. The R&D tax credit is not a tax relief, it is a tax credit. This means that, for example, no consequential claim to the tax credit may be made under either FA98/SCH18/PARA65, even where a consequential claim to the additional deduction is available under this provision.

Under the nominations and assignments restrictions (CTA09/S1142C & D) the general rule is that HMRC will only pay an amount of tax credit under ERIS direct to the claimant company. Guidance on these restrictions is available at [CIRD81805](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81805>).

Guidance on the claims process for both ERIS and new RDEC is available at [CIRD180000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird180000>) and following.

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