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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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CIRD90800 - R&D tax relief: SME scheme: SME Flowchart Guide to R&D tax credits

This page is intended to help companies who want to understand whether they may be eligible for R&D relief. It acts as a pointer to help a company know whether they should be looking at this guidance or whether they should look at alternative ways to receive financial support for their R&D expenditure. When considering funding options, consider whether your company could claim R & D tax credits at the same time as considering grants and subsidies such as an Innovate UK grant. This is because accepting a

small grant could affect your ability to claim tax relief.

This page does not replace existing guidance which explains the rules for claiming R&D tax credits in more detail, starting from [CIRD80000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird80000). (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird80000>)

The step by step flowchart is designed to help you work through the steps required to identify whether your company is eligible for R&D tax credits. The flowchart can be found in this [pdf flowchart link](http://www.hmrc.gov.uk/gds/cird/attachments/cird10000-eligibility-flowchart.pdf) (<http://www.hmrc.gov.uk/gds/cird/attachments/cird10000-eligibility-flowchart.pdf>) . If you are unable to access the attachment, an accessible prose version is set out below, Whichever you use, you will then need to refer to the relevant sections of the guidance which will help you with the calculation itself.

R & D tax relief is provided by the Government for any company with an R&D project which seeks to advance or appreciably improve overall knowledge or capability in a field of science or technology by resolving scientific or technological uncertainties. There are 2 schemes – R & D tax credits for Small/Medium Enterprise (SME) relief and R & D expenditure credits (RDEC). The SME scheme gives relief by way of an additional deduction which will either reduce the amount of profit chargeable to CT or create or increase a loss that can be surrendered for a payable tax credit. The SME scheme is a notifiable state aid and more generous than the RDEC scheme, but each R&D project can only receive one state aid. Below is a set of questions to help you to assess which type of relief may be applicable.

Flowchart prose version:

1. Does your company have a project(s) which develops new products or process, or enhances existing ones in a field of science or technology? Action: If you answered yes continue to the next question, no then your

company is unlikely to be performing R&D for tax purposes and appears to be ineligible for any R&D relief. More information is available [here](#).

<https://www.gov.uk/government/collections/research-and-development-rd-tax-relief>

2. Do you set out to achieve an advance, not just in your company's own knowledge, but in overall scientific or technological capability?
Action: If you answered yes continue to the next question, no then your company is unlikely to be performing R&D for tax purposes and appears to be ineligible for any R&D relief. More information is available [here](#).
<https://www.gov.uk/government/collections/research-and-development-rd-tax-relief>
3. Does the project involve a technical uncertainty that a knowledgeable professional in your field can't easily resolve? Action: If you answered yes continue to the next question, no then your company is unlikely to be performing R&D for tax purposes and appears to be ineligible for any R&D relief. More information is available [here](#).
<https://www.gov.uk/government/collections/research-and-development-rd-tax-relief>
4. Is your company part of a group of companies (any share holder of over 25% by one enterprise may be relevant)? Action: If you answered yes your company may be eligible as part of a group. Please find further information about groups [here](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91600>) and general information [here](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81000>). If no continue to the next question.
5. Are you a sub contractor, performing the research and development of someone else?
Action: If you answered yes your company is ineligible for the R&D for SME scheme. However you may be eligible for R&D Expenditure Credits (RDEC). More information is available [here](#)

<https://www.gov.uk/guidance/corporation-tax-research-and-development-tax-relief-for-large-companies>). If no continue to the next question.

6. Is the turnover of your company (or group) not more than €100m or the balance sheet less than €86m? Action: turnover less than €100m or the balance sheet less than €86m please continue. If no then your company is ineligible for the R&D for SME scheme. However you may be eligible for RDEC. More information is available [here](#) <https://www.gov.uk/guidance/corporation-tax-research-and-development-tax-relief-for-large-companies>).
7. Are there less than 500 full time members of staff or equivalent? Action: If yes please continue. If no then your company is ineligible for the R&D for SME scheme. However you may be eligible for RDEC. More information is available [here](#) <https://www.gov.uk/guidance/corporation-tax-research-and-development-tax-relief-for-large-companies>).
8. Has the company received any grants or subsidies for the research and development project? Action: if yes please continue, if no, then your company could be eligible for SME tax relief as explained in the Guidance. You could also seek Advance Assurance, details [here](#) <https://www.gov.uk/guidance/research-and-development-tax-relief-advance-assurance>).
9. Is the grant or subsidy a notified state aid? If unsure, check with your grant provider. Action, if yes your company is ineligible for the R&D for SME scheme. However you may be eligible for RDEC. More information is available [here](#). <https://www.gov.uk/guidance/corporation-tax-research-and-development-tax-relief-for-large-companies> If no your company could still be eligible for SME tax relief. You could also seek Advance Assurance, more information is available [here](#) <https://www.gov.uk/guidance/research-and-development-tax-relief-advance-assurance>).

If you think you meet the criteria laid out above you can check our videos below, read our simple guide and online guidance. If your company is applying for R&D relief for SMEs for the first time, it could qualify for Advance Assurance.

If your company qualifies for Advance Assurance you can apply using the advance assurance form. Once we've received your application we'll contact you to talk about your R&D in more detail. This is normally a short phone call but it may involve a longer discussion or a visit to your company if the case is more complex. If Advance Assurance is granted it means that for the first three accounting periods of claiming for R&D tax relief, HMRC will allow the claim without further enquiries.

RDEC <https://www.gov.uk/guidance/corporation-tax-research-and-development-tax-relief-for-large-companies> (<https://www.gov.uk/guidance/corporation-tax-research-and-development-tax-relief-for-large-companies>)

Advance Assurance

<https://www.gov.uk/guidance/research-and-development-tax-relief-advance-assurance>
(<https://www.gov.uk/guidance/research-and-development-tax-relief-advance-assurance>)

R&D Relief

<https://www.gov.uk/government/collections/research-and-development-rd-tax-relief>
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