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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
([/government/organisations/hm-revenue-customs](#))

Published 11 March 2016

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

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## CIRD275100 - Patent Box: Calculation steps preparation CTA10/s357BF as modified by s357BQ

CTA10/s357BF

Preparation

Tracking and Tracing R&D expenditure

Companies should follow the Guidance for tracking and tracing R&D expenditure which is at [CIRD272000 \(https://www.gov.uk/hmrc-internal-](https://www.gov.uk/hmrc-internal-)

[manuals/corporate-intangibles-research-and-development-manual/cird272000](#)) and acquisition costs which is at {#}[CIRD274500](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird274500>) even if a qualifying IP right has not yet been granted and will not yet be included in the computation. In the computation in the year of grant, the tracked R&D expenditure will need to be included in the R&D Fraction for that sub-stream.

## Income streams and their R&D fraction

Companies will need to divide their qualifying IP rights into (sub)streams of income. It is an OECD requirement to stream at the lowest level possible. If streaming at the level of income and expenditure for individual qualifying IP rights is possible that is the level of streaming which should be chosen, but this will clearly not be practical for many companies and this is recognised by allowing alternatives. Guidance is set out in detail at [CIRD271500](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird271500>) for allocating income to streams and [CIRD274100](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird274100>) for identifying how an R&D fraction should be applied to a relevant sub-stream. A company needs to consider these together in order to decide the most appropriate streaming level in advance of preparing the first year's Patent Box computation. Examples are at [CIRD275300](#).

Changes to streaming levels can be made but it is expected that these will be in response to a change in circumstances and should be explained in the computation.

## The Calculation

Having prepared the company's calculation 'structure' the steps at [CIRD275200](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird275200>)

[intangibles-research-and-development-manual/cird275200](#)) should be followed to arrive at the deduction to be used. [CIRD275000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird275000>) contains a flowchart which should also be helpful and [CIRD277000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird277000>) provides an example computation.

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