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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD82450 - R&D tax relief: categories of qualifying expenditure: consumable stores (historic category)

FA00/SCH20/PARA6

Consumable stores ceased to be qualifying expenditure for expenditure incurred on or after 1 April 2004. Consumable items and software ([CIRD82300](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82300>) and [CIRD82500](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird82500>))

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have now been introduced as categories of qualifying expenditure. For expenditure incurred prior to the implementation of the new categories it will still be necessary to test whether any expenditure would qualify as consumable stores.

Expenditure on consumable stores is expenditure on materials and equipment used up in the R&D activity, but which are not in themselves incorporated or reflected in the product of the R&D. Supplies, materials, or equipment used only indirectly in the R&D effort e.g. related to general overheads such as administration will not qualify. The measure of the cost of consumable stores is the amount that would be recognised under GAAP.

Expenditure on heat, light, power, rent, rates, interest, lease payments, books and journals are not consumable stores. Payments for the rights to use software are not consumable stores. The cost of information technology hardware does not qualify, unless exceptionally the purchase is of generic parts bought to form an integral part of a prototype.

Consumable stores are, by their nature comparatively short-lived, and spending on them will be revenue expenditure. For example, the consumable stores of a chemistry-based R&D project may include such items as disposable, or short life, laboratory equipment (flasks, test tubes) and chemicals used in the R&D process, etc. This spending will be revenue expenditure and could qualify for R&D tax relief. But expenditure on a centrifuge will usually be on capital account, and, if so, will not qualify.

The consumable stores that go into the making of prototypes would qualify, but significant specially commissioned parts are generally excluded. For example, a company may be working on a solar powered cordless toaster incorporating groundbreaking sensor technology. The cost of the materials used to make a prototype would qualify

insofar as they are not specially commissioned, as would the bread used to test its effectiveness.

Some consumable stores are recyclable; for example, it may be economically viable to sell the waste products from chemicals used in an R&D activity. The whole cost of such items can be claimed as qualifying for the R&D tax relief.

FA02/SCH12/PARA17 (c) adopted the same definition of expenditure on consumable stores for the large company scheme.

When the definition of consumable stores was introduced it was expected to take its general accountancy meaning but, in practice, there is no specific accountancy definition. So HMRC officers rely on the wording of the statute - there is a need for the subject matter to be consumable, and to have a character of a product that forms part of the stores of the company. That is why HMRC generally rule out specially commissioned parts - as they will usually be bought to order for specific purposes, rather than being part of the company's stores.

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