

Beta This part of GOV.UK is being rebuilt – [find out what beta means \(/help/beta\)](#)

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](#)

[Back to contents](#)

CIRD90050 - R&D tax relief: SME scheme: overview

The original R&D tax relief scheme introduced in FA00 (now in CTA09/Chapter 13) is aimed only at companies that are SMEs. The definition of such enterprises is dealt with from [CIRD91000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird91000>) onwards. The definition is not exclusive to companies, although the relief is only available to those within the scope of corporation tax. A large company for the purposes of the large

company scheme is one that does not meet the definition of a small or medium enterprise.

The SME R&D tax relief scheme

In essence, SME companies incurring R&D expenditure within the rules of the scheme [CIRD90100](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90100) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90100>) can obtain enhanced deductions from their taxable profits. The rate of enhancement will depend upon when the expenditure is incurred. The rates of enhancement can be found in [CIRD80260](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird80260) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird80260>).

If companies are unable to use any tax losses resulting from this enhanced deduction, then there are provisions whereby they may be able to surrender those losses for a payable tax credit [CIRD90500](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90500) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90500>).

The payable tax credits are percentage of the surrenderable loss. The percentages which applied at a particular time can be found in [CIRD80260](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird80260) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird80260>).

For accounting periods ending before 1 April 2012, there are limits on the amount of payable credit linked to the PAYE and NIC position of the company. These limits do not apply for accounting periods ending on or after 1 April 2012.

The concept of an SME is a European one, and we have to apply it in a way that complies with European rules on unlawful State Aids, in order to avoid breaching these rules.

[Top of page](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90050#top) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90050#top>)

Commencement Dates

Because of its status as a State Aid changes to the SME R&D regime have to be notified to, and approved by the EU. They cannot come into force until approval is given. For that reason, the commencement dates for new measures (such as the extension of qualifying expenditure to include payments for externally provided workers [CIRD84000](https://www.gov.uk/hmrc-internal-manuals/cird84000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84000>)) may differ between the SME and large company schemes, as the large company changes can be introduced without waiting for EU approval. The BIS website contains further information and links to relevant European documents.

[Top of page](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90050#top) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90050#top>)

The large company scheme and SMEs

In certain circumstances companies that are barred from making claims under the rules of the SME scheme can instead claim the particular expenditure as eligible within the large company scheme. See [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>) for subsidised expenditure and [CIRD89500](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird89500) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird89500>) for large company R&D subcontracted to an SME.

[Top of page](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90050#top) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90050#top>)

Transitions from SME to large company

When a company changes its status between SME and large company, there are provisions that may delay a change in its tax treatment. See [CIRD92000](https://www.gov.uk/hmrc-internal-manuals/cird92000) (<https://www.gov.uk/hmrc-internal-manuals/cird92000>)

[manuals/corporate-intangibles-research-and-development-manual/cird92000](#)).

[Top of page \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90050#top\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90050#top)

Insurance companies

An insurance company that carries on life assurance business as defined by **ICTA88/S431 (2)** and qualifies as an SME can obtain relief for R&D expenditure against non-trading income under the large company scheme.

See [CIRD89600 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird89600\)](#). It can claim under the normal SME scheme rules for R&D expenditure set against trading income.

[Top of page \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90050#top\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90050#top)

Operation of scheme and more detailed rules

This is dealt with from [CIRD90100 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90100\)](#) onwards.



OGL

All content is available under the [Open Government Licence v3.0](#), except where otherwise stated



© Crown copyright