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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
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## CIRD81100 - R&D tax relief: conditions to be satisfied: overview

In order for R&D tax relief to be due, qualifying conditions, set out in the legislation, must be satisfied.

Only a company ([CIRD81200](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81200>)) can be entitled to the relief but companies can carry out R&D as members of partnerships ([CIRD81220](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81220>))

[development-manual/cird81220](#))). The company must have incurred expenditure on R&D ([CIRD81300](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81300>)) that is relevant to its trade ([CIRD81400](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81400>))).

For there to be R&D for the purpose of the tax relief, a company must be carrying on a project that seeks an advance in science or technology. A company should be able when asked to state what the intended advance is, and to show how, through the resolution of scientific or technological uncertainty, the project seeks to achieve this.

The activities that constitute R&D for tax purposes are those activities undertaken as part of the project which fall to be accounted for as R&D under generally accepted accounting practice (i.e. be capable of being accounted for as R&D, whether or not they are) and also fall within the special definitions set out in the BIS Guidelines (formerly DTI Guidelines) for activities to be treated as either 'directly contributing' to seeking the advance in science or technology, or as 'qualifying indirect activity'. The BIS Guidelines (formerly DTI Guidelines) specifically exclude certain activities from the scope of R&D for tax purposes.

Not all activity which may be considered to be R&D within the ordinary accountancy or commercial meaning of the term will necessarily be R&D for tax purposes. While the accountancy meaning is where the definition begins for the purposes of the relief, it is qualified by guidelines issued by the BIS (formerly DTI) - see [CIRD81900](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81900>).

The advance being sought must constitute an advance in the overall knowledge or capability in a field of science or technology, not a company's own state of knowledge or capability alone.

Overall knowledge or capability in a field of science or technology means the knowledge or capability in the field that is publicly available, or is readily deducible from the publicly available knowledge or capability by a competent professional working in the field. Work that seeks an advance relative to this overall knowledge or capability is R&D.

Once the advance in science or technology has been articulated, the scope of the R&D project has been defined, and the project activities which fall within the definition of R&D for tax purposes have been identified, then the tax rules in CTA2009, described in this guidance, sets out what expenditure on those activities may be eligible for relief, and the conditions that must be satisfied for the expenditure to qualify for relief.

The expenditure must not be capital expenditure ([CIRD81700 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81700\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81700)). In addition to having been incurred the expenditure must also be allowable as a deduction in computing the profit of the period ([CIRD81450 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81450\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81450)) and must be on the categories of qualifying expenditure ([CIRD81500 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81500\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81500)).

There is a minimum amount of expenditure below which relief is not available ([CIRD81600 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81600\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81600)).

The company must also make a valid claim to the relief ([CIRD81800 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81800\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81800)).

## Further conditions that apply only to the SME scheme

- Intellectual property rights resulting from the R&D must vest in the company. This condition is abolished for accounting periods ending on or after 9 December 2009, ([CIRD81550](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81550) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81550>)).
  - The company must not have been contracted to carry out the R&D ([CIRD81470](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81470) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81470>)).
  - The company must not have received a notified state aid for the R&D project ([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>)) and the expenditure is disqualified to the extent that it is subsidised ([CIRD81650](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81650) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81650>)).
  - The company must be a going concern ([CIRD81130](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81130) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81130>)) at the time the claim is made.
  - There is a limit of €7,500,000 on the amount of aid for any given project ([CIRD81160](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81160) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird81160>)).
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