

SCHEDULES

SCHEDULE 19

MEANING OF “RESEARCH AND DEVELOPMENT”

PART II

CONSEQUENTIAL AMENDMENTS

Income and Corporation Taxes Act 1988 (c. 1)

- 3 The Income and Corporation Taxes Act 1988 is amended as follows.
- 4 In section 495 (regional development grants), in subsection (1)(b) for “scientific research” substitute “research and development”.
- 5 (1) In Part IV (provisions relating to the Schedule D charge), after section 82 insert—

“82A Expenditure on research and development

- (1) Notwithstanding anything in section 74, where a person carrying on a trade incurs expenditure not of a capital nature on research and development—
- (a) related to that trade, and
 - (b) directly undertaken by him or on his behalf,
- the expenditure incurred may be deducted as an expense in computing the profits of the trade for the purposes of tax.
- (2) For this purpose expenditure on research and development does not include expenditure incurred in the acquisition of rights in, or arising out of, research and development.
- Subject to that, it includes all expenditure incurred in carrying out, or providing facilities for carrying out, research and development.
- (3) The reference in subsection (1) above to research and development related to a trade includes—
- (a) research and development which may lead to or facilitate an extension of that trade;
 - (b) research and development of a medical nature which has a special relation to the welfare of workers employed in that trade.
- (4) The same expenditure may not be taken into account under this section in relation to more than one trade.
- (5) In this section “research and development” has the meaning given by section 837A and includes oil and gas exploration and appraisal.

Status: This is the original version (as it was originally enacted).

82B Payments to research associations, universities etc

(1) Notwithstanding anything in section 74, where a person carrying on a trade—

- (a) pays any sum to a scientific research association that—
 - (i) has as its object the undertaking of scientific research related to the class of trade to which the trade he is carrying on belongs, and
 - (ii) is for the time being approved for the purposes of this section by the Secretary of State, or
- (b) pays any sum to be used for such scientific research as is mentioned in paragraph (a) above to any such university, college research institute or other similar institution as is for the time being approved for the purposes of this section by the Secretary of State,

the sum paid may be deducted as an expense in computing the profits of the trade for the purposes of tax.

(2) In this section “scientific research” means any activities in the fields of natural or applied science for the extension of knowledge.

(3) The reference in this section to scientific research related to a class of trade includes—

- (a) scientific research which may lead to or facilitate an extension of trades of that class;
- (b) scientific research of a medical nature which has a special relation to the welfare of workers employed in trades of that class.

(4) If a question arises under this section whether, or to what extent, any activities constitute or constituted scientific research, the Board shall refer the question for decision to the Secretary of State.

The decision of the Secretary of State is final.

(5) The same expenditure may not be taken into account under this section in relation to more than one trade.”.

(2) Any approval given by the Secretary of State for the purposes of section 136(b) or (c) of the Capital Allowances Act 1990 and in force immediately before the commencement of this paragraph has effect as if given under section 82B(1)(a) or (b) of the Taxes Act 1988 as inserted by sub-paragraph (1) above.

(3) So far as is necessary for continuing its effect, any decision made by the Secretary of State under section 139(3) of the Capital Allowances Act 1990 before the commencement of this paragraph has effect as if given under section 82B(4) of the Taxes Act 1988 as inserted by sub-paragraph (1) above.

6 In Schedule 18 (group relief: equity holders and profits or assets available for distribution), in paragraph 1(6)(b)(iii) for “scientific research” substitute “research and development (within the meaning of Part VII of that Act)”.

Capital Allowances Act 1990 (c. 1)

7 The Capital Allowances Act 1990 is amended as follows.

Status: This is the original version (as it was originally enacted).

8 For “scientific research”, wherever occurring, substitute “research and development”.

The provisions affected by this amendment are: section 4(5), (9) (twice) and (10), section 8(5), section 56D(1)(a), section 118(2), section 137(1) (twice), (1A) (twice), (3) (three times), section 138(1), (3A)(a) and (5)(b), section 138A(3), section 139(1)(b) (twice), (1)(c) (three times), (1)(d) (three times), section 158(2) (d) and section 161(2).

9 In section 137(1)(b) after “that research” insert “and development”.

10 In section 139 (supplementary provisions), in subsection (1) for paragraph (a) substitute—

“(a) “research and development” has the meaning given by section 837A of the principal Act and includes oil and gas exploration and appraisal;”.

11 In section 161 after “other than an allowance under section 136” insert “(as that section had effect before it was repealed by the Finance Act 2000)”.

Taxation of Chargeable Gains Act 1992 (c. 12)

12 (1) Section 195 of the Taxation of Chargeable Gains Act 1992 (allowance of certain drilling expenditure) is amended as follows.

(2) In subsections (2) and (3) for “scientific research” in each place substitute “research and development”.

(3) In subsection (3) after “that research” insert “and development”.

(4) After subsection (7) insert—

“(8) In this section “research and development” has the same meaning as in Part VII of the Capital Allowances Act 1990 (allowances for research and development expenditure).”