



Corporation Tax Act 2009

2009 CHAPTER 4

PART 13

^{F1} ... EXPENDITURE ON RESEARCH AND DEVELOPMENT

CHAPTER 9

SUPPLEMENTARY

Software [^{F1}, data licences, cloud computing services] or consumable items

Textual Amendments

- F1** Words in s. 1125 cross-heading inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(2\), 20](#)

1125 “Software [^{F2}, data licences, cloud computing services] or consumable items”

- (1) For the purposes of this Part expenditure on software [^{F3}, data licences, cloud computing services or consumable items means an amount paid by the company in respect of]—
- (a) computer software, ^{F4} ...
 - ^{F5}(aa) data licences,
 - (ab) cloud computing services, or]
 - (b) consumable or transformable materials.

^{F6}(1A) For the purposes of subsection (1)(aa) a data licence is a licence to access and use a collection of digital data.

(1B) For the purposes of subsection (1)(ab) cloud computing services include the provision of access to, and maintenance of, remote—

Changes to legislation: Corporation Tax Act 2009, Cross Heading: Software , data licences, cloud computing services or consumable items is up to date with all changes known to be in force on or before 19 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (a) data storage and hardware facilities;
- (b) operating systems and software platforms.]

(2) For the purposes of subsection (1)(b) consumable or transformable materials include water, fuel and power.

Textual Amendments

- F2** Words in s. 1125 heading inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(3\)\(a\), 20](#)
- F3** Words in s. 1125(1) substituted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(3\)\(b\)\(i\), 20](#)
- F4** Word in s. 1125(1)(a) omitted (with effect in relation to accounting periods beginning on or after 1.4.2023) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(3\)\(b\)\(ii\), 20](#)
- F5** S. 1125(1)(aa)(ab) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(3\)\(b\)\(iii\), 20](#)
- F6** S. 1125(1A)(1B) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(3\)\(c\), 20](#)

Modifications etc. (not altering text)

- C1** S. 1125 applied (with modifications) by [2010 c. 4, s. 357BLB\(7\)\(c\)](#) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 64\(3\)](#))

1126 Software [^{F7}, data licences, cloud computing services] or consumable items: attributable expenditure

- (1) This section applies for the purposes of this Part to identify when expenditure on software [^{F8}, data licences, cloud computing services] or consumable items is attributable to relevant research and development.
- (2) Expenditure on software [^{F9}, data licences, cloud computing services] or consumable items is so attributable if the software [^{F9}, data licences, cloud computing services] or consumable items are employed directly in relevant research and development.
- (3) Subsection (4) applies if software [^{F10}, data licences, cloud computing services] or consumable items are partly employed directly in relevant research and development.
- (4) The appropriate proportion of the expenditure on the software [^{F11}, data licences, cloud computing services] or consumable items is treated as attributable to relevant research and development.
- (5) Subsection (6) applies if software [^{F12}, data licences, cloud computing services] or consumable items are employed in the provision of services, such as secretarial or administrative services, in support of other activities.
- (6) The software [^{F13}, data licences, cloud computing services] or consumable items are not, as a result of their employment in the provision of those services, to be treated as themselves directly employed in those activities.

[^{F14}(7) This section is subject to sections 1126A and 1126B.]

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Textual Amendments

- F7** Words in s. 1126 heading inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(4\)\(a\), 20](#)
- F8** Words in s. 1126(1) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(4\)\(b\), 20](#)
- F9** Words in s. 1126(2) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(4\)\(b\), 20](#)
- F10** Words in s. 1126(3) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(4\)\(b\), 20](#)
- F11** Words in s. 1126(4) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(4\)\(b\), 20](#)
- F12** Words in s. 1126(5) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(4\)\(b\), 20](#)
- F13** Words in s. 1126(6) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(4\)\(b\), 20](#)
- F14** S. 1126(7) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\), s. 28\(2\)](#)

Modifications etc. (not altering text)

- C2** Ss. 1126-1126B applied (with modifications) by [2010 c. 4, s. 357BLB\(7\)\(d\)](#) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 64\(3\)](#))

[^{F15}1126ZA] **Attributable expenditure: special rules for data and cloud computing**

- (1) Expenditure on data licences or cloud computing services is not to be treated as attributable to relevant research and development if, in connection with the grant of a licence or the provision of a service, a relevant person obtains—
- a right to sell data in respect of which the licence is granted or the service is provided (as the case may be);
 - a right to publish, share or otherwise communicate data in respect of which the licence is granted or the service is provided (as the case may be) to a third party, other than for the purposes of communications reasonably necessary for, or incidental to, the purposes of the relevant research and development.
- (2) Expenditure on data licences or cloud computing services is not to be treated as attributable to relevant research and development so far as it is attributable to a qualifying indirect activity.
- (3) In this section—
- “qualifying indirect activity” means an activity mentioned in paragraph 31 of the Guidelines on the Meaning of Research and Development for Tax Purposes issued on 7 March 2023 and as amended from time to time;
- “relevant person” has the meaning given in section 1126A(10).]

Textual Amendments

- F15** S. 1126ZA inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(5\), 20](#)

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[^{F16}1126A Attributable expenditure: special rules [^{F17}for consumable items]

- (1) Expenditure on consumable items is not to be treated as attributable to relevant research and development if—
 - (a) the relevant research and development relates to an item that is produced in the course of the research and development,
 - (b) the consumable items form part of the item produced,
 - (c) the item produced is transferred by a relevant person for consideration in money or money's worth, and
 - (d) the transfer is made in the ordinary course of the relevant person's business.
- (2) Expenditure on consumable items is not to be treated as attributable to relevant research and development if—
 - (a) the relevant research and development relates to a process of producing an item,
 - (b) the consumable items form part of an item produced in the course of that research and development,
 - (c) the item produced is transferred by a relevant person for consideration in money or money's worth, and
 - (d) the transfer is made in the ordinary course of the relevant person's business.
- (3) If—
 - (a) the item produced as described in subsection (1) or (2) may be divided, and
 - (b) only a proportion (“the appropriate proportion”) of that item is transferred by a relevant person as described in subsection (1)(c) and (d) or (2)(c) and (d),
 the appropriate proportion of the expenditure on the consumable items is not to be treated as attributable to the relevant research and development.
- (4) If—
 - (a) a number of items are produced in the course of the relevant research and development described in subsection (2), and
 - (b) only a proportion (“the appropriate proportion”) of those items is transferred by a relevant person as described in subsection (2)(c) and (d),
 the appropriate proportion of the expenditure on the consumable items is not to be treated as attributable to the relevant research and development.
- (5) A reference in this section to producing an item includes a reference to preparing an item for transfer.
- (6) For the purposes of this section a consumable item forms part of an item produced if—
 - (a) it is incorporated into the item produced, or
 - (b) it is turned into, or it and other materials are turned into, the item produced or a part of the item produced.
- (7) A reference in this section to the transfer of an item is a reference to—
 - (a) the transfer of ownership of an item to another person (whether by sale or otherwise), or
 - (b) the transfer of possession of an item to another person (whether by letting on hire or otherwise),
 and a reference to the transfer of an item includes, where the item is incorporated into another item, the transfer of that other item.

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- (8) For the purposes of this section the provision of information obtained in testing an item is not to be regarded as consideration for the transfer of that item.
- (9) For the purposes of this section a transfer of an item produced in the course of research and development is not to be regarded as a transfer in the ordinary course of business if the item being transferred is waste.
- (10) In this section—
- “item” includes any substance;
 - “relevant person”, in relation to relevant research and development, means—
 - (a) the company that incurs the cost of the research and development, whether it is undertaken by itself or contracted out,
 - (b) the company to which the research and development is contracted out, whether it is undertaken by itself or contracted out,
 - (c) the person (other than a company) who contracts out the research and development to a company and incurs the cost of the research and development,
 - (d) the person (other than a company) to whom the research and development is contracted out, or
 - (e) a person who is connected to a company or person described in paragraph (a), (b), (c) or (d).

Textual Amendments

- F16** Ss. 1126A, 1126B inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\), s. 28\(3\)](#)
- F17** Words in s. 1126A heading inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 1 paras. 3\(6\), 20](#)

Modifications etc. (not altering text)

- C2** Ss. 1126-1126B applied (with modifications) by [2010 c. 4, s. 357BLB\(7\)\(d\)](#) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 64\(3\)](#))

1126B Attributable expenditure: further provision

- (1) The Treasury may by regulations make provision for the purpose of identifying when expenditure on [^{F18}data licences, cloud computing services or] consumable items is attributable to relevant research and development, including provision modifying the effect of section 1126 [^{F19}, 1126ZA] or 1126A.
- (2) Regulations under this section may include provision about—
- (a) the circumstances in which expenditure on [^{F20}data licences, cloud computing services or] consumable items employed directly in relevant research and development is, or is not, to be treated as attributable to that relevant research and development;
 - (b) the circumstances in which [^{F21}data licences, cloud computing services or] consumable items are, or are not, to be treated as employed directly in relevant research and development.

^{F22}(3)

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- (4) Regulations under this section may amend—
- (a) section 1126;
 [[section 1126ZA](#)];
 ^{F23}(aa)
 - (b) section 1126A;
 - (c) any other provision of this Act, if that is appropriate in consequence of provision made under paragraph (a) or (b).
- (5) Regulations under this section may make provision that has effect in relation to expenditure incurred before the making of the regulations, provided that it does not increase any person's liability to tax.]

Textual Amendments

- F16** Ss. 1126A, 1126B inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), **s. 28(3)**
- F18** Words in s. 1126B(1) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 1 paras. 3\(7\)\(a\)\(i\)](#), **20**
- F19** Word in s. 1126B(1) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 1 paras. 3\(7\)\(a\)\(ii\)](#), **20**
- F20** Words in s. 1126B(2)(a) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 1 paras. 3\(7\)\(b\)\(i\)](#), **20**
- F21** Words in s. 1126B(2)(b) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 1 paras. 3\(7\)\(b\)\(ii\)](#), **20**
- F22** [S. 1126B\(3\)](#) omitted (with effect in relation to accounting periods beginning on or after 1.4.2024) by virtue of [Finance Act 2024 \(c. 3\)](#), **Sch. 1 paras. 9(2)**, 16 (with [Sch. 1 para. 18](#)); [S.I. 2024/286](#), [reg. 2](#)
- F23** [S. 1126B\(4\)\(aa\)](#) inserted (with effect in relation to accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 1 paras. 3\(7\)\(c\)](#), **20**

Modifications etc. (not altering text)

- C2** Ss. 1126-1126B applied (with modifications) by [2010 c. 4](#), **s. 357BLB(7)(d)** (as inserted (with effect in accordance with s. 64(7) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **s. 64(3)**)

Changes to legislation:

Corporation Tax Act 2009, Cross Heading: Software , data licences, cloud computing services or consumable items is up to date with all changes known to be in force on or before 19 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)