

---

*Status: Point in time view as at 01/04/2002.*

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2000, Part III. (See end of Document for details)*

---

## SCHEDULES

### SCHEDULE 20

#### TAX RELIEF FOR EXPENDITURE ON RESEARCH AND DEVELOPMENT

##### PART III

##### SUPPLEMENTARY PROVISIONS

###### *Artificially inflated claims for deduction or R&D tax credit*

- 21 (1) To the extent that a transaction is attributable to arrangements entered into wholly or mainly for a disqualifying purpose, it shall be disregarded in determining for an accounting period the amount of—
- (a) any relief to which a company is entitled under paragraph 13 or 14, and
  - (b) any R&D tax credit to which a company is entitled.
- (2) Arrangements are entered into wholly or mainly for a “disqualifying purpose” if their main object, or one of their main objects, is to enable a company to obtain—
- (a) relief under paragraph 13 or 14 to which it would not otherwise be entitled or of a greater amount than that to which it would otherwise be entitled; or
  - (b) an R&D tax credit to which it would not otherwise be entitled or of a greater amount than that to which it would otherwise be entitled.
- (3) In this paragraph “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable.

###### *Restriction on consortium relief*

- 22 Where—
- (a) the company claims relief under paragraph 13 or 14 in respect of an accounting period, and
  - (b) at any time during that period the company is owned by a consortium at least one of the members of which is a company which is not a small or medium-sized enterprise,
- no amount in respect of that period may be surrendered by the company, for the purposes of a claim to group relief under section 402(3) of the Taxes Act 1988 (group relief available where surrendering company owned by consortium), to any other company that is not a small or medium-sized enterprise.

###### *Treatment of deemed trading loss*

- 23 (1) This paragraph applies where under paragraph 14 (alternative treatment of pre-trading expenditure) a company is treated as incurring a trading loss in an accounting period (“the accounting period”).

*Status: Point in time view as at 01/04/2002.*

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2000, Part III. (See end of Document for details)*

- (2) The trading loss may not be set off against profits of a preceding accounting period under section 393A(1)(b) of the Taxes Act 1988 unless the company is entitled to R&D tax relief under paragraph 14 above for that earlier period.
- (3) If the company begins, in the accounting period or a later period, to carry on a trade which falls within sub-paragraph (4), then—
- (a) subject to paragraph 19 (restriction on losses carried forward), and
  - (b) to the extent that—
    - (i) the company has not obtained relief in respect of the trading loss under any other provision, and
    - (ii) the loss has not been surrendered under section 403(1) of the Taxes Act 1988 (surrender of relief to group or consortium members),
 the loss shall be treated as if it were a loss of that trade brought forward under section 393 of the Taxes Act 1988 (relief of trading losses against future trading profits).
- (4) A trade falls within this sub-paragraph if it is derived from the research and development in relation to which the R&D tax relief in question was obtained under paragraph 14.

#### *Funding of R&D tax credits*

- 24 Section 10 of the <sup>M1</sup>Exchequer and Audit Departments Act 1866 (gross revenues to be paid to Exchequer) shall be construed as allowing the Commissioners of Inland Revenue to deduct payments for or in respect of R&D tax credits before causing the gross revenues of their department to be paid to the accounts mentioned in that section.

#### **Marginal Citations**

**M1** 1866 c. 39.

#### *Interpretation*

- 25 (1) In this Schedule—
- “the Inland Revenue” means any officer of the Board;
- “national insurance contributions” means contributions under Part I of the <sup>M2</sup>Social Security Contributions and Benefits Act 1992 or Part I of the <sup>M3</sup>Social Security Contributions and Benefits (Northern Ireland) Act 1992;
- “normal accounting practice” means normal accounting practice in relation to the accounts of companies incorporated in any part of the United Kingdom;
- “PAYE regulations” means regulations under section 203 of the Taxes Act 1988;
- “payment period” has the meaning given in paragraph 17(2);
- “research and development” has the meaning given by section 837A of the Taxes Act 1988; and
- “surrenderable loss” has the meaning given in paragraph 15(2).

---

*Status: Point in time view as at 01/04/2002.*

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2000, Part III. (See end of Document for details)*

---

- (2) Section 839 of the Taxes Act 1988 (connected persons) applies for the purposes of this Schedule.
- (3) For the purposes of this Schedule a company not within the charge to corporation tax which incurs qualifying R&D expenditure is treated as having such accounting periods as it would have if—
- (a) it carried on a trade consisting of the activities in respect of which the expenditure is incurred, and
  - (b) it had started to carry on that trade when it started to carry on relevant research and development.

**Marginal Citations**

**M2** 1992 c. 4.

**M3** 1992 c. 7.

*Transitional provisions*

- 26 (1) This Schedule does not apply to expenditure incurred before 1st April 2000.
- (2) For this purpose no account shall be taken of section 401 of the Taxes Act 1988 (pre-trading expenditure treated as incurred when trading begins).

**Status:**

Point in time view as at 01/04/2002.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 2000, Part III.