

Status: Point in time view as at 05/10/2004.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2002, SCHEDULE 15. (See end of Document for details)

SCHEDULES

SCHEDULE 15

Section 56

R&D TAX RELIEF FOR SMALL AND MEDIUM-SIZED ENTERPRISES: MINOR AND CONSEQUENTIAL AMENDMENTS

1 Schedule 20 to the Finance Act 2000 (c. 17) (R&D tax relief for small and medium-sized enterprises) is amended as follows.

2 (1) In paragraph 1 (entitlement to R&D tax relief)—

- (a) in sub-paragraph (1)(b) (requirement that qualifying R&D expenditure is not less than £25,000), for “the company’s qualifying R&D expenditure (see paragraph 3)” substitute “ the aggregate of its qualifying R&D expenditure (see paragraph 3) and its qualifying sub-contracted R&D expenditure (within the meaning of paragraph 8 of Schedule 12 to the Finance Act 2002) ”;
- (b) after sub-paragraph (3) insert—

“(3A) For the purposes of sub-paragraph (1)(b) a company’s qualifying sub-contracted R&D expenditure (within the meaning of paragraph 8 of Schedule 12 to the Finance Act 2002) is deductible in an accounting period if it is allowable as a deduction in computing for tax purposes the profits for that period of a trade carried on by the company.”.

(2) This paragraph does not apply in relation to a company’s qualifying sub-contracted R&D expenditure (within the meaning of paragraph 8 of Schedule 12 to this Act) incurred before 1st April 2002.

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).

3 In paragraph 5 (staffing costs)—

- (a) in sub-paragraph (1)(c) omit “(within the meaning of section 231A(4) of the Taxes Act 1988)”, and
- (b) after sub-paragraph (1) insert—

“(1A) In sub-paragraph (1)(c) “pension fund” means any scheme, fund or other arrangements established and maintained (whether in the United Kingdom or elsewhere) for the purpose of providing pensions, retirement annuities, allowances, lump sums, gratuities or other superannuation benefits (with or without subsidiary benefits).

In this sub-paragraph “scheme” includes any deed, agreement or series of agreements.”.

4 In paragraph 8 (subsidised expenditure), for the second sentence of sub-paragraph (2) substitute—

“For this purpose the following are not State aids—

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- (a) R&D tax relief and R&D tax credits;
 - (b) tax relief under Schedule 12 to the Finance Act 2002 (tax relief for expenditure on research and development);
 - (c) tax relief and tax credits under Schedule 13 to that Act (tax relief for expenditure on vaccine research etc).”
- 5 In paragraph 12 (treatment of sub-contractor payments where principal and sub-contractor unconnected), for paragraph (b) substitute—
- “(b) the company and the sub-contractor are not connected persons, and
 - (c) no election is made under paragraph 11,”.

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