



Finance Act 2007

2007 CHAPTER 11

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

R&D

50 Research and development tax relief: definition of SME etc

- (1) In Part 1 of Schedule 20 to FA 2000 (entitlement to R&D tax relief), paragraph 2(1) (meaning of “small or medium-sized enterprise”) is amended as follows.
- (2) Before Qualification 1 insert—

“Qualification A1

In Article 2(1) of the Annex the references to 250 persons, 50 million euros and 43 million euros are to be read as references to 500 persons, 100 million euros and 86 million euros (respectively).”
- (3) In Qualification 1—
 - (a) after “micro, small or medium-sized enterprise” insert “(or would be if the Annex were read as set out in Qualification A1)”;
 - (b) at the end insert “(read as set out in Qualification A1)”.
- (4) Part 2 of Schedule 13 to FA 2002 (giving effect to VRR tax relief) is amended as follows.
- (5) After paragraph 15 insert—

“Paragraphs 14 and 15: modifications for larger SMEs claiming R&D tax credits

- 15A (1) This paragraph applies in relation to a company for an accounting period if—
- (a) the company is a larger SME in the accounting period, and

Status: This is the original version (as it was originally enacted).

- (b) it claims a tax credit under paragraph 15 of Schedule 20 to the Finance Act 2000 (R&D tax credit) for the accounting period.
 - (2) The appropriate deduction under paragraph 14 above is 50% of so much of the qualifying expenditure as is non-Schedule 20 expenditure (as defined by paragraph 15(7)).
 - (3) Paragraph 15 above has effect as if sub-paragraph (2)(a) were omitted.
 - (4) In this paragraph “larger SME” means a company which qualifies as a small or medium-sized enterprise by virtue of Qualification A1 in paragraph 2(1) of Schedule 20 to the Finance Act 2000.”
- (6) After paragraph 16 insert—

“Entitlement to tax credit: modification for larger SMEs

- 16A (1) Paragraph 16(3) has effect in relation to a larger SME as if for the definition of “B” there were substituted—
- “B is 150% of so much of the qualifying expenditure mentioned in paragraph 14 or 15 as is non-Schedule 20 expenditure.”
- (2) “Larger SME” has the same meaning as in paragraph 15A.”
- (7) The amendments made by this section have effect in relation to expenditure incurred on or after such day as the Treasury may by order appoint.
 - (8) A day before the day on which this Act is passed may be appointed, but not one before 1st April 2007.
 - (9) For the purpose of determining, in relation to expenditure incurred on or after the appointed day, whether a company is a small or medium-sized enterprise, the amendments are to be treated as always having had effect.