



Corporation Tax Act 2009

2009 CHAPTER 4

PART 13

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

Textual Amendments

- F1** Words in [Pt. 13](#) heading 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. 3, 16](#) (with [Sch. 1 para. 18](#)); [S.I. 2024/286](#), reg. 2

CHAPTER 1

INTRODUCTION

Introductory

^{F2}1039 Overview of Part

- (1) This Part provides relief for companies that invest in research and development.
- (2) Chapter [1A](#) makes relief available in the form of a credit in respect of expenditure on research and development, which becomes payable in certain circumstances.
- (3) Chapter 2 makes alternative relief available, in the form of—
 - (a) an additional deduction in calculating trading profits, and
 - (b) a payable credit,to small or medium-sized enterprises that invest heavily in research and development and do not make associated trading profits.
- (4) Chapter 8 limits the reliefs provided by Chapters [1A](#) and 2.

Status: Point in time view as at 01/04/2024.

Changes to legislation: Corporation Tax Act 2009, Part 13 is up to date with all changes known to be in force on or before 12 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)

(5) Chapter 9 contains definitions and other supplementary provision.]

Textual Amendments

- F2** S. 1039 substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 4(2)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

[^{F3}1040 No overlapping claims under Chapters 1A and 2

A company is not entitled to relief under Chapter 2 in respect of expenditure if it is entitled to, and claims, relief under Chapter 1A in respect of that expenditure.]

Textual Amendments

- F3** S. 1040 substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 4(3)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

[^{F4}1040ZA Restriction on claiming other tax reliefs

[For provision prohibiting audiovisual expenditure credit or video game expenditure ^{F5}(A1) credit being given where relief is available under this Part, see sections 1179DT and 1179FL.]

- (1) For provision prohibiting relief being given under this Part and under Chapter 3 of Part 15 (film tax relief), see section 1195(3A).
- (2) For provision prohibiting relief being given under this Part and under Chapter 3 of Part 15A (television tax relief), see section 1216C(4).
- (3) For provision prohibiting relief being given under this Part and under Chapter 3 of Part 15B (video games tax relief), see section 1217C(4).

[For provision prohibiting relief being given under this Part and under section 1217H ^{F6}(4) or 1217K (theatrical productions: additional deduction or theatre tax credit), see section 1217JA(2).]

[For provision prohibiting relief being given under this Part and under Chapter 3 of ^{F7}(5) Part 15E (museums and galleries exhibition tax relief), see section 1218ZCG(2).]

Textual Amendments

- F4** S. 1040ZA inserted (with effect in accordance with Sch. 18 para. 23 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 18 paras. 10**, 22; S.I. 2013/1817, art. 2(2); S.I. 2014/1962, art. 2(3)
- F5** S. 1040ZA(A1) inserted (22.2.2024) by Finance Act 2024 (c. 3), **Sch. 2 para. 5(3)** (with Sch. 2 paras. 16(1), 17-25)
- F6** S. 1040ZA(4) inserted (with effect in accordance with Sch. 4 para. 17 of the amending Act) by Finance Act 2014 (c. 26), **Sch. 4 paras. 11**, 16; S.I. 2014/2228, art. 2
- F7** S. 1040ZA(5) inserted (for specified purposes and with effect in accordance with Sch. 6 paras. 20, 21(1)(b) of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 6 para. 12**

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F⁸1040AR&D expenditure credits

Textual Amendments

- F8** S. 1040A 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. 4(4), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

Interpretation

1041 “Research and development”

In this Part “research and development” has the meaning given by [F⁹section 1138 of CTA 2010].

Textual Amendments

- F9** Words in s. 1041 substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), Sch. 1 para. 666 (with Sch. 2)

1042 “Relevant research and development”

- (1) In this Part “relevant research and development”, in relation to a company, means research and development—
- (a) related to a trade carried on by the company, or
 - (b) from which it is intended that a trade to be carried on by the company will be derived.
- (2) Research and development related to a trade carried on by a company includes—
- (a) research and development which may lead to or facilitate an extension of the trade, and
 - (b) research and development of a medical nature which has a special relation to the welfare of workers employed in the trade.

F¹⁰(3)

Textual Amendments

- F10** S. 1042(3) omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of Finance Act 2016 (c. 24), s. 47(4)

Status: Point in time view as at 01/04/2024.

Changes to legislation: Corporation Tax Act 2009, Part 13 is up to date with all changes known to be in force on or before 12 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)

[^{F11}CHAPTER 1A

R&D EXPENDITURE CREDIT

Textual Amendments

F11 Pt. 13 Ch. 1A inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 5, 16** (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

Introductory

1042A Overview of Chapter

- (1) This Chapter provides an entitlement to a credit (called an “R&D expenditure credit”) in respect of certain expenditure on research and development.
- (2) Section 1042B and 1042C make the basic provision setting out what the entitlement is and how it is to be realised.
- (3) Sections 1042D to 1042F describe the expenditure by reference to which the entitlement arises.
- (4) Section 1042G sets the percentage of that expenditure that is translated into the credit.
- (5) Sections 1042H to 1042N make provision about what happens when a company obtains the credit (in particular, about how the credit is to be accounted for and applied or paid).
- (6) Section 1042O makes provision about how the expenditure credit operates in the context of a basic life assurance and general annuity business carried on by an insurance company.
- (7) This Chapter has to be read with Chapter 8, which limits the entitlement given by this Chapter in various respects.

Entitlement and claims

1042B Entitlement to credit

- (1) A company is entitled to an R&D expenditure credit for an accounting period if it meets conditions A, B and C in this section.
- (2) Condition A is that the company carries on a trade in the period.
- (3) Condition B is that the company incurs expenditure that is both—
 - (a) allowable as a deduction in calculating for corporation tax purposes the profits of the trade for the period, and
 - (b) qualifying Chapter 1A expenditure by virtue of section 1042D, 1042E or 1042F.
- (4) Condition C is that the company is not an ineligible company (see section 1142).
- (5) The amount of the credit is the relevant percentage (see section 1042G) of the expenditure that satisfies condition B.

Status: Point in time view as at 01/04/2024.

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1042C Claiming the credit

- (1) To obtain an R&D expenditure credit the company must make a claim (see Part 9A of Schedule 18 to the FA 1998).
- (2) A company may not make the claim (“the RDEC claim”) after the end of the claim notification period unless—
 - (a) the company has made an R&D claim during the period of three years ending with the last day of the claim notification period,
 - (b) the company makes a claim notification in respect of the RDEC claim within the claim notification period, or
 - (c) the accounting period in respect of which the RDEC claim is made falls within the same period of account as another accounting period in respect of which the company has made an R&D claim or a claim notification.
- (3) For the purposes of subsection (2)(a), ignore any R&D claim for an accounting period beginning before 1 April 2023 that is included in the company’s company tax return only by virtue of an amendment made on or after that date (see paragraph 83B(2) of Schedule 18 to FA 1998).

Qualifying expenditure

1042D Qualifying expenditure: in-house R&D

- (1) Expenditure of a company is qualifying Chapter 1A expenditure if it meets each of conditions A to D in this section.
- (2) Condition A is that the expenditure is attributable to relevant research and development undertaken by the company itself.
- (3) Condition B is that the expenditure is—
 - (a) incurred on staffing costs (see section 1123),
 - (b) incurred on software, data licences, cloud computing services or consumable items (see section 1125),
 - (c) qualifying expenditure on externally provided workers (see section 1127), or
 - (d) incurred on relevant payments to the subjects of a clinical trial (see section 1140).
- (4) Condition C is that the research and development is not contracted out to the company (see section 1133).
- (5) Condition D is that the expenditure is not attributable to an exempt foreign permanent establishment (see section 1138B).
- (6) See sections 1124, 1126 to 1126B and 1132 for provision about when expenditure within subsection (3)(a), (b) or (c) is attributable to relevant research and development.

1042E Qualifying expenditure: payments for contracted out R&D

- (1) Expenditure of a company is qualifying Chapter 1A expenditure if it meets each of conditions A to D in this section.
- (2) Condition A is that the expenditure is attributable to relevant research and development contracted out by the company (see section 1133).

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- (3) Condition B is that the research and development is not also contracted out to the company (see section 1133).
- (4) Condition C is that the expenditure is incurred in making the qualifying element of a contractor payment (see sections 1133 to 1136).
- (5) Condition D is that the expenditure is not attributable to an exempt foreign permanent establishment (see section 1138B).
- (6) See sections 1124, 1126 to 1126B and 1132 for provision about when particular kinds of expenditure are attributable to relevant research and development.

1042F Qualifying expenditure: activity as contractor for irrelievable client

- (1) Expenditure of a company is qualifying Chapter 1A expenditure if it meets conditions A, B and C in this section.
- (2) Condition A is that the expenditure is attributable to relevant research and development contracted out to the company (see section 1133).
- (3) Condition B is that subsection (4) is satisfied by each person by whom the research and development is contracted out to the company.
- (4) A person satisfies this subsection if—
 - (a) the person is an ineligible company (see section 1142), or
 - (b) the person is not, in relation to the contracting out of the research and development by that person, acting in the course of a trade, profession or vocation within the charge to tax.
- (5) Condition C is that the expenditure would, but for the fact that the research and development is contracted out to the company, be qualifying Chapter 1A expenditure by virtue of section 1042D or 1042E.

Rate of credit

1042G Percentage of qualifying expenditure translated into credit

- (1) The relevant percentage for the purposes of section 1042B(5) is—
 - (a) 49%, in the case of a ring fence trade within the meaning given by section 277 of CTA 2010, or
 - (b) 20%, in any other case.
- (2) The Treasury may by regulations replace the percentage for the time being specified in subsection (1)(a) or (b) with a different percentage.

Treatment of credit: main provisions

1042H Expenditure credit to count as taxable receipt

If a company is entitled to, and claims, an R&D expenditure credit for an accounting period, it must bring the amount of the credit into account as a receipt in calculating for corporation tax purposes the profits for the period of the trade concerned.

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1042I Redemption of value of expenditure credit

If a company is entitled to, and claims, an R&D expenditure credit for an accounting period, the credit is to be dealt with as follows.

Step 1

The amount of the credit is to be applied in discharging any liability of the company to pay corporation tax for the accounting period.

Step 2

If there is a notional tax deduction (see section 1042K), it is to be applied to any amount remaining after step 1.

Step 3

If the amount remaining after step 2 exceeds the cap by reference to the company's PAYE and NIC liabilities for the accounting period (see section 1112B), the excess is to be deducted.

Step 4

Any amount remaining after step 3 is to be applied in discharging any liability of the company to pay corporation tax for any other accounting period.

Step 5

If the company is a member of a group, it may surrender the whole or part of any amount remaining after step 4 to any other member of the group (as to which see section 1042N).

Step 6

Any amount remaining after step 5 is to be applied in discharging any other liability of the company to pay a sum to the Commissioners for His Majesty's Revenue and Customs—

- (a) under or by virtue of an enactment, or
- (b) under an agreement made in connection with any person's liability to make a payment to the Commissioners under or by virtue of an enactment.

Step 7

Any amount remaining after step 6 is (subject to sections 1112F and 1112H) to be paid to the company by an officer of Revenue and Customs.

1042J Treatment of deduction to comply with PAYE and NIC limit

- (1) This section applies if an amount is deducted under step 3 in section 1042I.
- (2) The amount is to be added to the amount of R&D expenditure credit to which the company is entitled for its next accounting period (including where that amount would otherwise be nil).

Notional tax deduction

1042K Amount of notional tax deduction

- (1) This section determines the amount of the notional tax deduction for the purposes of step 2 in section 1042I.

Status: Point in time view as at 01/04/2024.

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- (2) The amount of the deduction is the amount (if any) by which the amount remaining after step 1 in section 1042I exceeds the amount produced by deducting the notional tax charge from the initial amount of the expenditure credit (that is, its amount before the application of that step).
- (3) Subsections (4) and (5) apply if the trade concerned is not a ring fence trade.
- (4) The notional tax charge is the amount of corporation tax that would be chargeable on the initial amount of the expenditure credit if it were an amount of profits for the accounting period on which corporation tax was chargeable at the applicable rate.
- (5) The applicable rate is—
- (a) the main rate, if the company has profits for the accounting period that—
 - (i) are chargeable to corporation tax at the main rate, and
 - (ii) would be so even if they did not include any amount brought into account under section 1042H;
 - (b) in any other case, the standard small profits rate.
- (6) Subsections (7) and (8) apply if the trade concerned is a ring fence trade.
- (7) The notional tax charge is the sum of—
- (a) the amount of corporation tax that would be chargeable on the initial amount of the expenditure credit if it were an amount of ring fence profits for the accounting period on which corporation tax was chargeable at the applicable rate, and
 - (b) the amount of the supplementary charge that would be chargeable on the initial amount of the expenditure credit if it were an amount of adjusted ring fence profits for the accounting period (see Chapters 6 to 9 of Part 8 of CTA 2010).
- (8) The applicable rate is—
- (a) the main ring fence profits rate, if the company has profits for the accounting period that—
 - (i) are chargeable to corporation tax at the main ring fence profits rate, and
 - (ii) would be so even if they did not include any amount brought into account under section 1042H;
 - (b) in any other case, the small ring fence profits rate.
- (9) For the purposes of this section, the initial amount of an expenditure credit is to be treated as excluding any amount added under section 1042J.
- (10) In this section—
- “adjusted ring fence profits” has the meaning given by section 330(2) of CTA 2010;
 - “main rate” means the rate referred to in section 3(1) of CTA 2010;
 - “main ring fence profits rate” means the rate referred to in section 279A(1) of CTA 2010;
 - “ring fence profits” has the meaning given by section 276 of CTA 2010;
 - “ring fence trade” has the meaning given by section 277 of CTA 2010;
 - “small ring fence profits rate” means the rate referred to in section 279A(3) of CTA 2010;

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“standard small profits rate” means the rate referred to in section 18A(1) of CTA 2010.

1042L Treatment of notional tax deduction

- (1) This section applies if an amount is deducted under step 2 in section 1042I.
- (2) If the company is a member of a group, it may, in respect of the accounting period in which the expenditure credit arises, surrender the whole or part of the deducted amount to any other member of the group (as to which see section 1042N).
- (3) To the extent that the deducted amount is not surrendered under subsection (2), it is to be applied in discharging any liability of the company to pay corporation tax for any subsequent accounting period.

1042M Priority of discharge

- (1) An amount within subsection (2) is to be applied as described in that subsection before any amount within subsection (3) is applied as described in that subsection.
- (2) An amount is within this subsection if it is to be applied under—
 - (a) section 1042L(3), or
 - (b) section 1042N(3) as it applies in relation to an amount surrendered under section 1042L(2),in discharging the liability of a company to pay corporation tax for an accounting period.
- (3) An amount is within this subsection if it is to be (or would but for subsection (1) be) applied under—
 - (a) step 4 in section 1042I, or
 - (b) section 1042N(3) as it applies in relation to an amount surrendered under step 5 in section 1042I,in discharging the same liability as an amount within subsection (2).

Intra-group surrenders

1042N Amounts surrendered to other group companies

- (1) Subsection (3) applies if an amount of expenditure credit is surrendered by the qualifying company to another member of its group under step 5 in section 1042I or under section 1042L(2).
- (2) For the purposes of that subsection—
 - (a) the accounting period in respect of which the surrender is made is “the surrender AP”;
 - (b) an accounting period of the other group member is an “overlapping AP” if it overlaps with the surrender AP to any extent.
- (3) The surrendered amount is to be dealt with as follows.
 - Step 1*
 - Select an overlapping AP.

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Step 2

Calculate the proportion of the overlapping AP that overlaps with the surrender AP, and apply that proportion to the amount of corporation tax payable by the other group member for that overlapping AP.

Step 3

Calculate the proportion of the surrender AP that overlaps with the overlapping AP, and apply that proportion to the surrendered amount.

Step 4

The amount given by step 3 is to be applied in discharging the liability of the other group member to pay the corporation tax mentioned in step 2, up to the amount given by that step.

Step 5

Select another overlapping AP, if there is one, and repeat steps 2 to 4.

Step 6

If any of the surrendered amount remains after steps 2 to 4 have been taken in relation to each overlapping AP, the remainder is to be treated for the purposes of section 1042I or (as the case may be) section 1042L(2) as if it had not been surrendered as mentioned in subsection (1).

- (4) A surrender to which subsection (3) applies is not to be—
- (a) taken into account in determining, for corporation tax purposes, the profits or losses of the qualifying company or the other group member, or
 - (b) regarded for corporation tax purposes as the making of a distribution.

Basic life assurance and general annuity businesses

1042O Adaptation of entitlement for certain insurance businesses

- (1) This section applies if—
 - (a) for an accounting period, an insurance company is charged to tax in respect of its basic life assurance and general annuity business in accordance with the I-E rules, and
 - (b) the calculation of the company's charge to tax for the period in respect of that business does not involve the calculation of any BLAGAB trade profit or loss of the company.
- (2) The reference in section 1042B(3)(a) to expenditure that is allowable as a deduction in calculating the profits of the trade for an accounting period is to be read as a reference to expenditure that would be so allowable if the company were to calculate its BLAGAB trade profit or loss for the period.
- (3) The reference in section 1042H to calculating the profits of the trade is to be read as a reference to calculating the I-E profit of the basic life assurance and general annuity business carried on by the company.
- (4) Any receipt to be brought into account by virtue of this section is to be treated for the purposes of section 92 of FA 2012 (certain BLAGAB trading receipts to count as deemed I-E receipts) as if it had been taken into account in calculating the company's BLAGAB trade profit or loss for the period.

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- (5) In this section, “BLAGAB trade profit” and “BLAGAB trade loss” have the meanings given by section 136 of FA 2012.]

CHAPTER 2

[^{F12}RELIEF FOR LOSS-MAKING, R&D-INTENSIVE SMEs]

Textual Amendments

- F12** Pt. 13 Ch. 2 heading substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 6(2), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

Introductory

[^{F13}1043Overview of Chapter

- (1) This Chapter provides relief for companies that are small or medium-sized enterprises, invest heavily in research and development, and do not make associated trading profits.
- (2) Section 1044 provides relief in the form of an additional deduction where the investment is made in the course of a loss-making trade.
- (3) Section 1045 provides relief in the form of a deemed trading loss where the investment is made the course of activities that do not yet amount to the carrying on of a trade.
- (4) Section 1045ZA specifies the intensity of spending on research and development needed for a company to qualify for relief under section 1044 or 1045.
- (5) Sections 1047 and 1048 make provision about the procedure for claiming, and the effect of, relief under section 1045.
- (6) Section 1049 restricts consortium relief where relief under section 1044 or 1045 is claimed.
- (7) Sections 1051 to 1053 describe the expenditure by reference to which the entitlement to relief under section 1044 or 1045 arises.
- (8) Sections 1054 to 1062 provide further relief in the form of a payable credit (called an “R&D tax credit”) in respect of trading losses increased or generated by relief under section 1044 or 1045.
- (9) Section 1062A excludes certain insurance companies.
- (10) This Chapter has to be read with Chapter 8, which limits the entitlements given by this Chapter in various respects.]

Textual Amendments

- F13** S. 1043 substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 6(3), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

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Reliefs

1044 Additional deduction in calculating profits of trade

- (1) A company is entitled to corporation tax relief for an accounting period if it meets each of conditions A to ^{F14}F].
- (2) Condition A is that the company is a small or medium-sized enterprise in the period.
- ^{F15}(2A) Condition B is that the company—
- (a) meets the R&D intensity condition in the period, or
 - (b) obtained relief under this Chapter for its most recent prior accounting period of 12 months' duration, having met the R&D intensity condition in that period.]
- ^{F16}(3)
- (4) Condition C is that the company carries on a trade in the period.
- (5) Condition D is that the company has qualifying Chapter 2 expenditure which is allowable as a deduction in calculating for corporation tax purposes the profits of the trade for the period.
- ^{F17}(5A) Condition E is that the company makes a loss in the trade in the period.
- (5B) Condition F is that the company is not an ineligible company (see section 1142).]
- (6) For the company to obtain the relief it must make a claim ^{F18}(see Part 9A of Schedule 18 to the FA 1998, and also sections 1045A and 1112F)].
- ^{F19} ...
- (7) The relief is an additional deduction in calculating the profits of the trade for the period. ^{F20}The deduction is, in particular, additional to any given under section 87.]
- (8) The amount of the additional deduction is ^{F21}86%] of the qualifying Chapter 2 expenditure.
- ^{F22}(9)
- (10) For the meaning of “qualifying Chapter 2 expenditure” see section 1051.

Textual Amendments

- F14** Word in s. 1044(1) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 6(4)(a), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F15** S. 1044(2A) inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 6(4)(b), 16 (with Sch. 1 paras. 18, 20); S.I. 2024/286, reg. 2
- F16** S. 1044(3) omitted (with effect in accordance with Sch. 3 para. 39 of the amending Act) by virtue of Finance Act 2012 (c. 14), Sch. 3 para. 3(3)
- F17** S. 1044(5A)(5B) inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 6(4)(c), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F18** Words in s. 1044(6) inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 6(4)(d)(i), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

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- F19** Words in s. 1044(6) 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. 6(4)(d)(ii), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F20** Words in s. 1044(7) inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 6(4)(e), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F21** Word in s. 1044(8) substituted (in relation to expenditure incurred on or after 1.4.2023) by Finance Act 2023 (c. 1), s. 4(3)(a)(4)
- F22** S. 1044(9) 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. 6(4)(f), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

1045 Alternative treatment for pre-trading expenditure: deemed trading loss

(1) A company is entitled to corporation tax relief for an accounting period if it meets [^{F23}each of conditions A to D].

(2) Condition A is that the company is a small or medium-sized enterprise in the period.

[^{F24}(2A) Condition B is that the company—

- (a) meets the R&D intensity condition in the period, or
- (b) obtained relief under this Chapter for its most recent prior accounting period of 12 months' duration, having met the R&D intensity condition in that period.]

[^{F25}(3)

(4) Condition C is that the company has incurred qualifying Chapter 2 expenditure in the period which—

- (a) is not allowable as a deduction in calculating for corporation tax purposes the profits of a trade carried on by it at the time the expenditure was incurred, but
- (b) would have been so allowable had it, at that time, been carrying on a trade consisting of the activities in respect of which the expenditure was incurred.

[^{F26}(4A) Condition D is that the company is not an ineligible company (see section 1142).]

(5) For the company to obtain the relief it must make an election [^{F27}(see section 1047, and also section 1112F)].

[^{F28}...

(6) The relief is that the company is treated as if it had made a trading loss in the period.

(7) The trading loss is equal to [^{F29}186%] of the qualifying Chapter 2 expenditure.

(8) If a company makes an election under this section in respect of qualifying Chapter 2 expenditure, section 61 (pre-trading expenses) does not apply to the expenditure.

[^{F30}(9)

(10) For the meaning of “qualifying Chapter 2 expenditure” see section 1051.

(11) See also section 1137, which makes provision about the accounting periods of a company which is not within the charge to corporation tax.

Status: Point in time view as at 01/04/2024.

Changes to legislation: Corporation Tax Act 2009, Part 13 is up to date with all changes known to be in force on or before 12 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)

Textual Amendments

- F23** Words in s. 1045(1) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 6(5)(a)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F24** S. 1045(2A) inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 6(5)(b)**, 16 (with Sch. 1 paras. 18, 20); S.I. 2024/286, reg. 2
- F25** S. 1045(3) omitted (with effect in accordance with Sch. 3 para. 39 of the amending Act) by virtue of Finance Act 2012 (c. 14), **Sch. 3 para. 3(4)(b)**
- F26** S. 1045(4A) inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 6(5)(c)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F27** Words in s. 1045(5) inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 6(5)(d)(i)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F28** Words in s. 1045(5) 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. 6(5)(d)(ii)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F29** Word in s. 1045(7) substituted (in relation to expenditure incurred on or after 1.4.2023) by Finance Act 2023 (c. 1), s. 4(3)(b)(4)
- F30** S. 1045(9) 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. 6(5)(e)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

[^{F31}1045] ~~R&D~~ intensity condition

- (1) This section determines whether a company meets the R&D intensity condition in an accounting period for the purposes of sections 1044 and 1045.
- (2) If the company is not connected with another company, the company meets the condition if its relevant R&D expenditure for the period amounts to at least 30% of its total relevant expenditure for the period.
- (3) If the company is connected with at least one other company, the company meets the condition if the connected companies' relevant R&D expenditure for the period amounts to at least 30% of the connected companies' total relevant expenditure for the period.
- (4) In subsection (3), "the connected companies" refers to the company to which this section is being applied and each company with which it is connected; and the references to their expenditure are to the aggregate of each of their expenditures.
- (5) Expenditure forms part of a company's total relevant expenditure for an accounting period if—
 - (a) in accordance with generally accepted accounting practice, it is brought into account in calculating the profits for the period of any trade carried on by the company,
 - (b) it is expenditure in respect of which the company is, for the period, entitled to relief under section 1045, or
 - (c) in reliance on section 1308(2) (expenditure brought into account in determining value of intangible asset allowable as a deduction), it is brought into account in calculating the company's profits for the period for corporation tax purposes.
- (6) But—

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- (a) expenditure of a company is to be ignored for the purposes of subsection (5) if it consists of a payment, or other transfer of value, to another company with which the company is connected, and
 - (b) where expenditure forms part of a company's total relevant expenditure by virtue of subsection (5)(c), a deduction brought into account as mentioned in subsection (5)(a) is to be ignored for the purposes of that provision to the extent that a corresponding deduction for corporation tax purposes is prevented by section 1308(5).
- (7) Expenditure forms part of a company's relevant R&D expenditure for an accounting period if—
- (a) it forms part of the company's total relevant expenditure for the period, or would do but for subsection (6)(a), and
 - (b) it is expenditure in respect of which the company would, assuming that it met the R&D intensity condition, be entitled to relief under this Chapter for the period.
- (8) For the purposes of this section in its application to an accounting period, a company is to be treated as connected with another company if it is connected with that company on any day within the period.]

Textual Amendments

F31 S. 1045ZA inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 6(6), 16 (with Sch. 1 paras. 18, 21); S.I. 2024/286, reg. 2

Modifications etc. (not altering text)

C1 S. 1045ZA(2)(3) modified (22.2.2024) by Finance Act 2024 (c. 3), Sch. 1 para. 21(3)(4)

Reliefs: further provision

[^{F32}1045A Requirement to make a claim notification

- (1) A company may not make a claim under section 1044(6) (an “additional deduction claim”) after the end of the claim notification period unless—
- (a) the company has made an R&D claim during the period of three years ending with the last day of the claim notification period,
 - (b) the company makes a claim notification in respect of the additional deduction claim within the claim notification period, or
 - (c) the accounting period in respect of which the additional deduction claim is made falls within the same period of account as another accounting period in respect of which the company has made an R&D claim or a claim notification.
- (2) For the purposes of subsection (1)(a) ignore any R&D claim for an accounting period beginning before 1 April 2023 that is included in the company's company tax return only by virtue of an amendment made on or after that date (see paragraph 83B(2) of Schedule 18 to FA 1998).]

Status: Point in time view as at 01/04/2024.

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Textual Amendments

F32 S. 1045A 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. 2(3), 20

^{F33} 1046 Relief only available where company is going concern

.....

Textual Amendments

F33 S. 1046 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. 6(7), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

1047 Elections under section 1045

- (1) An election under section 1045 must specify the accounting period in respect of which it is made.
- (2) The election must be made by notice in writing to an officer of Revenue and Customs.
- (3) The notice must be given before the end of the period of two years beginning immediately after the end of the accounting period to which the election relates.

1048 Treatment of deemed trading loss under section 1045

- (1) This section applies if under section 1045 a company is treated as making a trading loss in an accounting period [^{F34} (“the deemed loss-making period”)].
 - (2) The trading loss may not be [^{F35}deducted from] profits of a preceding accounting period under [^{F36}section 37(3)(b) or 42 of CTA 2010] unless the company is entitled to relief under section 1045 for the earlier period.
 - (3) Subsection (4) applies if—
 - [^{F37}(za) the deemed loss-making period begins before 1 April 2017,]
 - (a) the company begins, in [^{F38}the deemed loss-making period] or a later period, to carry on a trade, and
 - (b) the trade is derived from the research and development in relation to which the relief mentioned in subsection (1) was obtained.
 - (4) In that case, so far as—
 - (a) the company has not obtained relief in respect of the trading loss under any other provision, and
 - (b) the loss has not been surrendered under [^{F39}Part 5 of CTA 2010 (group relief)], the trading loss is to be treated as if it were a loss of that trade brought forward under [^{F40}section 45 of CTA 2010] (relief of trading losses against future trading profits).
- [^{F41}(4A) Subsection (4B) applies if—
- (a) the deemed loss-making period begins on or after 1 April 2017,
 - (b) the company—

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- (i) begins to carry on a trade in the deemed loss-making period which it continues to carry on in the following accounting period, or
 - (ii) begins to carry on a trade in an accounting period after the deemed-loss making period, and
 - (c) the trade is derived from the research and development in relation to which the relief mentioned in subsection (1) was obtained.
- (4B) In that case, so far as—
- (a) the company has not obtained relief in respect of the trading loss under any other provision, and
 - (b) the loss has not been surrendered under Part 5 of CTA 2010 (group relief) (surrender of relief to group or consortium members),
- the trading loss is to be treated as if it were a loss of that trade brought forward under the relevant provision (see subsection (4C)) to the relevant period (see subsection (4D)).
- (4C) In subsection (4B) “the relevant provision” is—
- (a) section 45A(4) of CTA 2010 if—
 - (i) the trade is not a ring fence trade within the meaning of Part 8 of CTA 2010 (see section 277 of that Act), and
 - (ii) relief under section 37 of CTA 2010 would not be unavailable by reason of section 44 of that Act for a loss (assuming there was one) made in the trade in the relevant period (see subsection (4D)), and
 - (b) section 45B(2) of CTA 2010 if either of the conditions in paragraph (a) is not met.
- (4D) In subsection (4B) and (4C) “the relevant period” means—
- (a) in a case where the company began the trade in the deemed loss-making period and continued to carry on the trade in the following accounting period, that following accounting period, and
 - (b) in a case where the company began the trade in an accounting period after the deemed loss-making period, the accounting period in which the company began the trade.]
- (5) ^{F42}Subsections (4) and (4B) are] subject to section 1062 (restriction on losses carried forward where tax credit claimed).

Textual Amendments

- F34** Words in s. 1048(1) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 133(2)**
- F35** Words in s. 1048(2) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 667(2)(a)** (with [Sch. 2](#))
- F36** Words in s. 1048(2) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 667(2)(b)** (with [Sch. 2](#))
- F37** S. 1048(3)(za) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 133(3)(a)**
- F38** Words in s. 1048(3)(a) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 4 para. 133(3)(b)**
- F39** Words in s. 1048(4)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 667(3)(a)** (with [Sch. 2](#))
- F40** Words in s. 1048(4) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 667(3)(b)** (with [Sch. 2](#))

Status: Point in time view as at 01/04/2024.

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- F41** S. 1048(4A)-(4D) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 133\(4\)](#)
- F42** Words in s. 1048(5) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 133\(5\)](#)

1049 Restriction on consortium relief

- (1) This section applies if—
- (a) a company claims relief under section 1044 or elects to obtain relief under section 1045 in respect of an accounting period,
 - (b) at any time during the period the company is owned by a consortium, and
 - (c) at least one of the members of the consortium is a large company.
- (2) The amount of the relief obtained in respect of the accounting period may not be surrendered by the company to another company, for the purposes of a consortium group relief claim, unless the other company is a small or medium-sized enterprise.
- (3) A “consortium group relief claim” means a claim to group relief [^{F43}based on consortium condition 1, 2 or 3 in sections 132 and 133 of CTA 2010] (group relief available between members of consortia).

Textual Amendments

- F43** Words in s. 1049(3) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 668](#) (with [Sch. 2](#))

Threshold

^{F44}1050 R&D threshold

.....

Textual Amendments

- F44** S. 1050 omitted (with effect in accordance with Sch. 3 para. 39 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 3\(5\)](#)

Qualifying expenditure

1051 Qualifying Chapter 2 expenditure

For the purposes of this Part a company's “qualifying Chapter 2 expenditure” [^{F45}is such of its expenditure as is qualifying Chapter 2 expenditure by virtue of section [1052](#), [1053](#) or [1053A](#).]

Status: Point in time view as at 01/04/2024.

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Textual Amendments

- F45** Words in s. 1051 substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 6\(8\)](#), 16 (with [Sch. 1 para. 18](#)); [S.I. 2024/286](#), [reg. 2](#)

[^{F46}1052] **Qualifying expenditure: in-house R&D**

- (1) Expenditure of a company is qualifying Chapter 2 expenditure if it meets each of conditions A to D in this section.
- (2) Condition A is that the expenditure is attributable to relevant research and development undertaken by the company itself.
- (3) Condition B is that the expenditure is—
 - (a) incurred on staffing costs (see section 1123),
 - (b) incurred on software, data licences, cloud computing services or consumable items (see section 1125),
 - (c) qualifying expenditure on externally provided workers (see section 1127), or
 - (d) incurred on relevant payments to the subjects of a clinical trial (see section 1140).
- (4) Condition C is that the research and development is not contracted out to the company (see section 1133).
- (5) Condition D is that the expenditure is not attributable to an exempt foreign permanent establishment (see section 1138B).
- (6) See sections 1124, 1126 to 1126B and 1132 for provision about when expenditure within subsection (3)(a), (b) or (c) is attributable to relevant research and development.

Textual Amendments

- F46** [Ss. 1052-1053A](#) substituted for [ss. 1052-1053](#) (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 6\(9\)](#), 16 (with [Sch. 1 para. 18](#)); [S.I. 2024/286](#), [reg. 2](#)

1053 Qualifying expenditure: payments for contracted out R&D

- (1) Expenditure of a company is qualifying Chapter 2 expenditure if it meets each of conditions A to D in this section.
- (2) Condition A is that the expenditure is attributable to relevant research and development contracted out by the company (see section 1133).
- (3) Condition B is that the research and development is not also contracted out to the company (see section 1133).
- (4) Condition C is that the expenditure is incurred in making the qualifying element of a contractor payment (see sections 1133 to 1136).
- (5) Condition D is that the expenditure is not attributable to an exempt foreign permanent establishment (see section 1138B).

Status: Point in time view as at 01/04/2024.

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- (6) See sections 1124, 1126 to 1126B and 1132 for provision about when particular kinds of expenditure are attributable to relevant research and development.

Textual Amendments

F46 Ss. 1052-1053A substituted for ss. 1052-1053 (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 6\(9\), 16](#) (with [Sch. 1 para. 18](#)); [S.I. 2024/286, reg. 2](#)

1053A Qualifying expenditure: activity as contractor for irrelievable client

- (1) Expenditure of a company is qualifying Chapter 2 expenditure if it meets conditions A, B and C in this section.
- (2) Condition A is that the expenditure is attributable to relevant research and development contracted out to the company (see section 1133).
- (3) Condition B is that subsection (4) is satisfied by each person by whom the research and development is contracted out to the company.
- (4) A person satisfies this subsection if—
 - (a) the person is an ineligible company (see section 1142), or
 - (b) the person is not, in relation to the contracting out of the research and development by that person, acting in the course of a trade, profession or vocation within the charge to tax.
- (5) Condition C is that the expenditure would, but for the fact that the research and development is contracted out to the company, be qualifying Chapter 2 expenditure by virtue of section 1052 or 1053.]

Textual Amendments

F46 Ss. 1052-1053A substituted for ss. 1052-1053 (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 6\(9\), 16](#) (with [Sch. 1 para. 18](#)); [S.I. 2024/286, reg. 2](#)

Tax credit: entitlement and payment

1054 Entitlement to and payment of tax credit

- (1) A company is entitled to an R&D tax credit for an accounting period if it has a Chapter 2 surrenderable loss in the period (see section 1055).
 - (2) For the company to obtain an R&D tax credit in respect of all or part of the Chapter 2 surrenderable loss it must make a claim [^{F47}(see Part 9A of Schedule 18 to the FA 1998, and also sections 1054A and 1112F)].
- F48** ...
- (3) The amount of an R&D tax credit to which the company is entitled is determined in accordance with section 1058.

Status: Point in time view as at 01/04/2024.

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- (4) If a company makes a claim for an R&D tax credit to which it is entitled for an accounting period, an officer of Revenue and Customs must pay to the company the amount of the credit.

This is subject to section ^{F49}1112H].

^{F50}(5)

- (6) See also section 1062, which restricts the carry forward of losses where a company claims an R&D tax credit.

Textual Amendments

- F47** Words in s. 1054(2) inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 6(10)(a)(i), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F48** Words in s. 1054(2) 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. 6(10)(a)(ii), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F49** Word in s. 1054(4) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 6(10)(b), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F50** S. 1054(5) 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. 6(10)(c), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

^{F51}1054A Requirement to make a claim notification

- (1) A company may not make a claim under section 1054(2) (an “R&D tax credit claim”) after the end of the claim notification period unless—
- (a) the company has made an R&D claim during the period of three years ending with the last day of the claim notification period,
 - (b) the company makes a claim notification in respect of the R&D tax credit claim within the claim notification period, or
 - (c) the accounting period in respect of which the R&D tax credit claim is made falls within the same period of account as another accounting period in respect of which the company has made an R&D claim or a claim notification.
- (2) For the purposes of subsection (1)(a) ignore any R&D claim for an accounting period beginning before 1 April 2023 that is included in the company’s company tax return only by virtue of an amendment made on or after that date (see paragraph 83B(2) of Schedule 18 to FA 1998).]

Textual Amendments

- F51** S. 1054A 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. 2(5), 20

Status: Point in time view as at 01/04/2024.

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1055 Meaning of “Chapter 2 surrenderable loss”

- (1) For the purposes of this Chapter a company has a “Chapter 2 surrenderable loss” if in an accounting period—
 - (a) it obtains an additional deduction under section 1044 in calculating the profits of a trade and it makes a trading loss in that period in the trade, or
 - (b) it is treated as making a trading loss under section 1045.
- (2) If relief is obtained under section 1044 the amount of the Chapter 2 surrenderable loss is—
 - (a) so much of the trading loss as is unrelieved, or
 - (b) if less, [^{F52}186%] of the qualifying Chapter 2 expenditure in respect of which the relief was obtained.
- (3) If relief is obtained under section 1045 the amount of the Chapter 2 surrenderable loss is so much of the trading loss as is unrelieved.

Textual Amendments

F52 Word in s. 1055(2)(b) substituted (in relation to expenditure incurred on or after 1.4.2023) by [Finance Act 2023 \(c. 1\), s. 4\(3\)\(c\)\(4\)](#)

Modifications etc. (not altering text)

C2 S. 1055 excluded by [2010 c. 4, s. 357PC](#) (as inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\), s. 1](#))

1056 Amount of trading loss which is “unrelieved”

- (1) This section applies for the purposes of section 1055.
- (2) The amount of a trading loss that is “unrelieved” is the amount of the loss reduced by—
 - (a) any relief that was or could have been obtained by the company making a claim under [^{F53}section 37(3)(a) of CTA 2010 to deduct the loss from total] profits of the same accounting period,
 - (b) any other relief obtained by the company in respect of the loss, including relief under [^{F54}section 37(3)(b) or 42 of CTA 2010 (losses deducted from] profits of an earlier accounting period), and
 - (c) any loss surrendered under [^{F55}Part 5 [^{F56}or Part 5A] of CTA 2010] (surrender of relief to group or consortium members).
- (3) No account is to be taken for this purpose of any losses—
 - (a) brought forward from an earlier accounting period under [^{F57}section 45 [^{F58}, 45A or 45B] of CTA 2010], or
 - (b) carried back from a later accounting period under [^{F59}section 37(3)(b) or 42] of that Act.

Textual Amendments

F53 Words in s. 1056(2)(a) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 669\(2\)\(a\)](#) (with [Sch. 2](#))

F54 Words in s. 1056(2)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 669\(2\)\(b\)](#) (with [Sch. 2](#))

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- F55** Words in s. 1056(2)(c) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 669\(2\)\(c\)](#) (with [Sch. 2](#))
- F56** Words in s. 1056(2)(c) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 4 para. 134\(a\)](#)
- F57** Words in s. 1056(3)(a) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 669\(3\)\(a\)](#) (with [Sch. 2](#))
- F58** Words in s. 1056(3)(a) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 4 para. 134\(b\)](#)
- F59** Words in s. 1056(3)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 669\(3\)\(b\)](#) (with [Sch. 2](#))

Modifications etc. (not altering text)

- C3** S. 1056 applied by [2010 c. 4, s. 357PC](#) (as inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\), s. 1](#))

F60 1057 Tax credit only available where company is going concern

.....

Textual Amendments

- F60** [S. 1057](#) 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. 6\(11\), 16](#) (with [Sch. 1 para. 18](#)); [S.I. 2024/286, reg. 2](#)

Amount of tax credit

1058 Amount of tax credit

- (1) The amount of the R&D tax credit to which a company is entitled for an accounting period is [^{F61}the lesser of]—
 - (a) [^{F62}14.5%] of the amount of the Chapter 2 surrenderable loss for the period,
_{F63} ... [^{F64}and]
 - [^{F65}(aa) the amount of the cap by reference to the company’s PAYE and NIC liabilities for the accounting period (see section 1112B).]
 - _{F63}(b)

^{F66}(1A)

^{F66}(1B)

^{F66}(1C)

[^{F67}(2) The Treasury may by regulations—

- (a) replace the percentage for the time being specified in subsection (1)(a) with a different percentage;]

_{F68}(b)

_{F69}(c)

^{F70}(3)

Status: Point in time view as at 01/04/2024.

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Textual Amendments

- F61** Words in s. 1058(1) inserted (with effect in accordance with Sch. 3 para. 4 of the amending Act) by [Finance Act 2021 \(c. 26\)](#), **Sch. 3 para. 2(2)(a)**
- F62** Word in s. 1058(1)(a) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), **Sch. 1 paras. 6(12)(a)(i)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F63** S. 1058(1)(b) and the word immediately preceding it omitted (with effect in accordance with Sch. 3 para. 39 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), **Sch. 3 para. 15(2)**
- F64** S. 1058(1)(aa) and word inserted (with effect in accordance with Sch. 3 para. 4 of the amending Act) by [Finance Act 2021 \(c. 26\)](#), **Sch. 3 para. 2(2)(b)**
- F65** S. 1058(1)(aa) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), **Sch. 1 paras. 6(12)(a)(ii)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F66** S. 1058(1A)-(1C) 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. 6(12)(b)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F67** S. 1058(2) substituted (with effect in accordance with Sch. 3 para. 4 of the amending Act) by [Finance Act 2021 \(c. 26\)](#), **Sch. 3 para. 2(4)**
- F68** S. 1058(2)(b) 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. 6(12)(c)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F69** S. 1058(2)(c) 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. 6(12)(c)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F70** S. 1058(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. 6(12)(d)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

Modifications etc. (not altering text)

- C4** S. 1058(1) excluded by 2010 c. 4, s. **357PD** (as inserted (with effect in accordance with s. 5 of the amending Act) by [Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)](#), s. 1)

^{F71} ~~1058A~~ **Relevant expenditure on workers**

.....

Textual Amendments

- F71** ~~Ss. 1058A-1058D~~ 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. 6(13)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

^{F71} ~~1058B~~ **Total amount of company's PAYE and NIC liabilities**

.....

Status: Point in time view as at 01/04/2024.

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Textual Amendments

F71 Ss. 1058A-1058D 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. 6(13), 16** (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

F71 1058A **Avoiding double counting of PAYE and NIC liabilities**

.....

Textual Amendments

F71 Ss. 1058A-1058D 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. 6(13), 16** (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

F71 1058B **Exceptions to tax credit cap**

.....

Textual Amendments

F71 Ss. 1058A-1058D 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. 6(13), 16** (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

F72 1059 **Total amount of company's PAYE and NIC liabilities**

.....

Textual Amendments

F72 S. 1059 omitted (with effect in accordance with Sch. 3 para. 39 of the amending Act) by virtue of Finance Act 2012 (c. 14), **Sch. 3 para. 15(3)**

Supplementary

1060 [^{F73}**Use of credit to pay corporation tax**]

- (1) This section applies if an R&D tax credit for an accounting period is payable to a company under this Chapter.
- (2) The amount payable in respect of—
 - (a) the R&D tax credit, or
 - (b) interest on the credit payable under section 826 of ICTA,may be applied in discharging any liability of the company to pay corporation tax.

Status: Point in time view as at 01/04/2024.

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(3) So far as the amount is so applied, the duty of the officer of Revenue and Customs to pay the credit under section 1054(4) is discharged.

^{F74}(4)

^{F74}(5)

^{F74}(6)

^{F74}(7)

Textual Amendments

- F73** S. 1060 heading substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 6(14)(a)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F74** S. 1060(4)-(7) 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. 6(14)(b)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

1061 Tax credit payment not income of company

A payment in respect of an R&D tax credit under this Chapter is not income of the company for any tax purposes.

1062 Restriction on losses carried forward where tax credit claimed

- (1) This section applies if a company claims an R&D tax credit to which it is entitled for an accounting period.
- (2) For the purposes of [^{F75}[^{F76}sections 45, 45A and 45B] of CTA 2010] (relief of trading losses against future ^{F77}... profits) the company's trading loss for the period is treated as reduced by the amount of the surrendered loss for the period.
- (3) The “amount of the surrendered loss” for the period means the amount of the Chapter 2 surrenderable loss in respect of which the company claims an R&D tax credit for the period.

Textual Amendments

- F75** Words in s. 1062(2) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 670** (with Sch. 2)
- F76** Words in s. 1062(2) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 135(a)**
- F77** Word in s. 1062(2) omitted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by virtue of Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 135(b)**

Modifications etc. (not altering text)

- C5** S. 1062(2) excluded by 2010 c. 4, s. 357PE (as inserted (with effect in accordance with s. 5 of the amending Act) by Corporation Tax (Northern Ireland) Act 2015 (c. 21), s. 1)
- C6** S. 1062(3) excluded by 2010 c. 4, s. 357PE (as inserted (with effect in accordance with s. 5 of the amending Act) by Corporation Tax (Northern Ireland) Act 2015 (c. 21), s. 1)

Status: Point in time view as at 01/04/2024.

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[^{F78}**1062** **Insurance company to be treated as large company**

An insurance company that carries on life assurance business in an accounting period is not to be treated for the purposes of this Chapter as a small or medium-sized enterprise in relation to that period.]

Textual Amendments

F78 S. 1062A inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 6(15)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

CHAPTER 3

RELIEF FOR SMEs: R&D SUB-CONTRACTED TO SME

Relief

[^{F79}**1063** **Additional deduction in calculating profits of trade**

Textual Amendments

F79 Pt. 13 Ch. 3 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 15 para. 14**

Threshold

[^{F80}**1064** **R&D threshold**

Textual Amendments

F80 S. 1064 omitted (with effect in accordance with Sch. 3 para. 39 of the amending Act) by virtue of Finance Act 2012 (c. 14), **Sch. 3 para. 4(3)**

Qualifying expenditure

[^{F79}**1065** **Qualifying Chapter 3 expenditure**

Textual Amendments

F79 Pt. 13 Ch. 3 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 15 para. 14**

Status: Point in time view as at 01/04/2024.

Changes to legislation: Corporation Tax Act 2009, Part 13 is up to date with all changes known to be in force on or before 12 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)

F81 1066 Expenditure on sub-contracted R&D undertaken in-house

.....

Textual Amendments

F81 Pt. 13 Ch. 3 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 14](#); and words in s. 1066(5) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [s. 28\(4\)\(i\)](#)

F82 1067 Expenditure on sub-contracted R&D not undertaken in-house

.....

Textual Amendments

F82 Pt. 13 Ch. 3 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 14](#); and words in s. 1067(5) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [s. 28\(4\)\(j\)](#)

CHAPTER 4

RELIEF FOR SMEs: SUBSIDISED AND CAPPED EXPENDITURE ON R&D

Relief

F83 1068 Additional deduction in calculating profits of trade

.....

Textual Amendments

F83 Pt. 13 Ch. 4 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 15](#)

Threshold

F84 1069 R&D threshold

.....

Textual Amendments

F84 S. 1069 omitted (with effect in accordance with Sch. 3 para. 39 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 5\(3\)](#)

Status: Point in time view as at 01/04/2024.

Changes to legislation: Corporation Tax Act 2009, Part 13 is up to date with all changes known to be in force on or before 12 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)

Qualifying expenditure

F83 1070 Qualifying Chapter 4 expenditure

.....

Textual Amendments

F83 Pt. 13 Ch. 4 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 15](#)

F85 1071 Subsidised qualifying expenditure on in-house direct R&D

.....

Textual Amendments

F85 Pt. 13 Ch. 4 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 15](#); and words in s. 1071(7) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [s. 28\(4\)\(k\)](#)

F86 1072 Subsidised qualifying expenditure on contracted out R&D

.....

Textual Amendments

F86 Pt. 13 Ch. 4 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 15](#); and words in s. 1072(8) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [s. 28\(4\)\(l\)](#)

F83 1073 Capped R&D expenditure

.....

Textual Amendments

F83 Pt. 13 Ch. 4 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 15](#)

Status: Point in time view as at 01/04/2024.

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CHAPTER 5

RELIEF FOR LARGE COMPANIES

Relief

F87 1074 Additional deduction in calculating profits of trade

.....

Textual Amendments

F87 Pt. 13 Ch. 5 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 16](#)

Threshold

F88 1075 R&D threshold

.....

Textual Amendments

F88 S. 1075 omitted (with effect in accordance with Sch. 3 para. 39 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 6\(3\)](#)

Qualifying expenditure

F87 1076 Qualifying Chapter 5 expenditure

.....

Textual Amendments

F87 Pt. 13 Ch. 5 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 16](#)

F89 1077 Qualifying expenditure on in-house direct R&D

.....

Textual Amendments

F89 Pt. 13 Ch. 5 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 16](#); and words in s. 1077(6) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [s. 28\(4\)\(m\)](#)

Status: Point in time view as at 01/04/2024.

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F90 1078 Qualifying expenditure on contracted out R&D

.....

Textual Amendments

F90 Pt. 13 Ch. 5 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 16](#); and words in s. 1078(7) inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [s. 28\(4\)\(n\)](#)

F87 1079 Qualifying expenditure on contributions to independent R&D

.....

Textual Amendments

F87 Pt. 13 Ch. 5 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 16](#)

Insurance companies

F87 1080 Entitlement to relief: I minus E basis

.....

Textual Amendments

F87 Pt. 13 Ch. 5 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 16](#)

CHAPTER 6

CHAPTERS 2 TO 5: FURTHER PROVISION

F91 **F91** ...

.....

Textual Amendments

F91 Pt. 13 Ch. 6 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. 7, 16](#) (with [Sch. 1 para. 18](#)); [S.I. 2024/286](#), reg. 2

F91F92

.....

Status: Point in time view as at 01/04/2024.

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Textual Amendments

- F91** Pt. 13 Ch. 6 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. 7, 16** (with **Sch. 1 para. 18**); S.I. 2024/286, **reg. 2**
- F92** S. 1082 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 15 para. 18**

F91F93

.....

Textual Amendments

- F91** Pt. 13 Ch. 6 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. 7, 16** (with **Sch. 1 para. 18**); S.I. 2024/286, **reg. 2**
- F93** S. 1083 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 15 para. 19**

F91

.....

Textual Amendments

- F91** Pt. 13 Ch. 6 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. 7, 16** (with **Sch. 1 para. 18**); S.I. 2024/286, **reg. 2**

CHAPTER 7

RELIEF FOR LARGE COMPANIES: VACCINE RESEARCH ETC

Introductory

F94 1085 Overview of Chapter

.....

Textual Amendments

- F94** Pt. 13 Ch. 7 omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of Finance Act 2016 (c. 24), **s. 47(2)**

F94 1086 Meaning of “qualifying R&D activity”

.....

Status: Point in time view as at 01/04/2024.

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Textual Amendments

F94 Pt. 13 Ch. 7 omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\), s. 47\(2\)](#)

Reliefs

F94 1087 Deduction in calculating profits of trade

.....

Textual Amendments

F94 Pt. 13 Ch. 7 omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\), s. 47\(2\)](#)

F94 1088 Declaration about effect of relief

.....

Textual Amendments

F94 Pt. 13 Ch. 7 omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\), s. 47\(2\)](#)

F95 1089 SMEs: amount of deduction

.....

Textual Amendments

F95 S. 1089 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\), Sch. 3 para. 24](#)

F96 1090 Modification of section 1089 for larger SMEs

.....

Textual Amendments

F96 S. 1090 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\), Sch. 3 para. 24](#)

F94 1091 Amount of deduction

.....

Status: Point in time view as at 01/04/2024.

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Textual Amendments

F94 Pt. 13 Ch. 7 omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [s. 47\(2\)](#)

^{F97} 1092 SMEs: deemed trading loss for pre-trading expenditure

.....

Textual Amendments

F97 Ss. 1092-1096 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 26](#)

^{F97} 1093 Modification of section 1092 for larger SMEs

.....

Textual Amendments

F97 Ss. 1092-1096 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 26](#)

^{F97} 1094 Relief only available to SME where company is going concern

.....

Textual Amendments

F97 Ss. 1092-1096 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 26](#)

Deemed trading loss: further provision

^{F97} 1095 Elections under section 1092

.....

Textual Amendments

F97 Ss. 1092-1096 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 26](#)

^{F97} 1096 Treatment of deemed trading loss under section 1092

.....

Status: Point in time view as at 01/04/2024.

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Textual Amendments

F97 Ss. 1092-1096 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 26](#)

Threshold

F98 1097 R&D threshold

.....

Textual Amendments

F98 S. 1097 omitted (with effect in accordance with Sch. 3 para. 39 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 7\(5\)](#)

Qualifying expenditure

F94 1098 Meaning of “qualifying Chapter 7 expenditure”

.....

Textual Amendments

F94 Pt. 13 Ch. 7 omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [s. 47\(2\)](#)

F99 1099 SMEs: qualifying expenditure “for” an accounting period

.....

Textual Amendments

F99 S. 1099 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 26](#)

F94 1100 Qualifying expenditure “for” an accounting period

.....

Textual Amendments

F94 Pt. 13 Ch. 7 omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [s. 47\(2\)](#)

Status: Point in time view as at 01/04/2024.

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F94 1101 Qualifying expenditure on in-house direct R&D

.....

Textual Amendments

F94 Pt. 13 Ch. 7 omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\), s. 47\(2\)](#)

F94 1102 Qualifying expenditure on contracted out R&D

.....

Textual Amendments

F94 Pt. 13 Ch. 7 omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\), s. 47\(2\)](#)

Tax credit: entitlement and payment

F100 1103 Entitlement to and payment of tax credit

.....

Textual Amendments

F100 Ss. 1103-1111 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\), Sch. 3 para. 28](#)

F100 1104 Meaning of “Chapter 7 surrenderable loss”

.....

Textual Amendments

F100 Ss. 1103-1111 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\), Sch. 3 para. 28](#)

F100 1105 Amount of trading loss which is “unrelieved”

.....

Textual Amendments

F100 Ss. 1103-1111 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\), Sch. 3 para. 28](#)

Status: Point in time view as at 01/04/2024.

Changes to legislation: Corporation Tax Act 2009, Part 13 is up to date with all changes known to be in force on or before 12 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)

F100 1106 Tax credit only available where company is going concern

.....

Textual Amendments

F100 Ss. 1103-1111 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 28](#)

Amount of tax credit

F100 1107 Amount of tax credit

.....

Textual Amendments

F100 Ss. 1103-1111 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 28](#)

F100 1108 Total amount of company's PAYE and NIC liabilities

.....

Textual Amendments

F100 Ss. 1103-1111 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 28](#)

Supplementary

F100 1109 Payment of tax credit

.....

Textual Amendments

F100 Ss. 1103-1111 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 28](#)

F100 1110 Tax credit payment not income of company

.....

Status: Point in time view as at 01/04/2024.

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Textual Amendments

F100 Ss. 1103-1111 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of Finance Act 2012 (c. 14), **Sch. 3 para. 28**

^{F100}1111 Restriction on losses carried forward where tax credit claimed

.....

Textual Amendments

F100 Ss. 1103-1111 omitted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by virtue of Finance Act 2012 (c. 14), **Sch. 3 para. 28**

Tax avoidance

^{F94}1112 Artificially inflated claims for relief

.....

Textual Amendments

F94 Pt. 13 Ch. 7 omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of Finance Act 2016 (c. 24), **s. 47(2)**

[^{F101}CHAPTER 8

RESTRICTIONS ON RELIEF UNDER THIS PART

Textual Amendments

F101 Pt. 13 Ch. 8 substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 8, 16** (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

Introductory

1112A Overview of Chapter

- (1) This Chapter limits the entitlements given by Chapters **1A** and **2**.
- (2) Sections **1112B** to **1112E** provide for the amount of R&D expenditure credit or R&D tax credit payable to a company to be capped by reference to certain liabilities of the company in connection with PAYE and national insurance, except in certain cases.
- (3) Sections **1112F** and **1112G** provide that payment of an R&D expenditure credit, and relief under Chapter **2**, are available only to companies that are going concerns.

Status: Point in time view as at 01/04/2024.

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- (4) Section 1112H provides that an R&D expenditure credit or R&D tax credit does not have to be paid if a tax enquiry into the company is open or the company has outstanding PAYE or national insurance liabilities.
- (5) Section 1112I provides for transactions aimed at obtaining or increasing an entitlement under Chapter 1A or 2 not to succeed in doing so.
- (6) Section 1112J allows the Treasury to place additional limits on the amount of relief available under Chapter 2.

PAYE and NIC liabilities

1112B Cap by reference to PAYE and NIC liabilities

- (1) This section determines, for the purposes of sections 1042I and 1058(1), the amount of the cap by reference to a company's PAYE and NIC liabilities for an accounting period.
But see section 1112E (which provides for there to be no cap in certain cases).
- (2) The amount of the cap is the sum of—
 - (a) £20,000, and
 - (b) the amount produced by multiplying by three (“the multiplier”) the amount of the company's relevant PAYE and NIC liabilities for payment periods ending in the accounting period (see section 1112C).
- (3) If the accounting period is less than 12 months, the amount specified in subsection (2)(a) is to be proportionately reduced.
- (4) If the company claims relief under both Chapters 1A and 2 for the period, the amount of the cap for the purposes of section 1042I is to be reduced by the amount of any R&D tax credit obtained by the company under Chapter 2.
- (5) The Treasury may by regulations—
 - (a) replace the amount for the time being specified in subsection (2)(a) with a different amount;
 - (b) replace the multiplier for the time being specified in subsection (2)(b) with a different multiplier.

1112C Calculation of relevant PAYE and NIC liabilities

- (1) This section determines the amount of a company's relevant PAYE and NIC liabilities for a payment period for the purposes of section 1112B.
- (2) The amount is to be calculated as follows.

Step 1

Take the total amount of the company's PAYE and NIC liabilities for the payment period (see section 1112D).

Step 2

Add any amount produced by the application of subsection (4) or (6) to the company as company A.

Step 3

Status: Point in time view as at 01/04/2024.

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Deduct any amount produced by the application of subsection (4) or (6) to the company as company B.

- (3) An amount is produced by subsection (4) where—
- (a) two companies (“company A” and “company B”) are connected,
 - (b) company A incurs expenditure in the payment period on externally provided workers (see sections 1127 and 1128), and
 - (c) company B incurs staffing costs in the payment period in providing any of those workers for company A.

- (4) The amount produced is the sum of the amounts given, in relation to each worker in respect of whom subsection (3)(c) is satisfied, by—

$X \times YZ$

where—

X is the amount of expenditure that—

- (a) has been incurred on staffing costs by company B in providing the worker for company A, and
- (b) forms part of the total amount of company B’s PAYE and NIC liabilities for the payment period (see section 1112D),

Y is the amount of company A’s expenditure on the externally provided worker that has been taken into account in calculating the amount of company A’s qualifying expenditure for the payment period, and

Z is the total amount of company A’s qualifying expenditure on the externally provided worker (see section 1127) for the payment period.

- (5) Subsection (6) produces an amount where—
- (a) two companies (“company A” and “company B”) are connected,
 - (b) company A incurs qualifying contractor expenditure in the payment period, and
 - (c) company B incurs staffing costs in the payment period in undertaking on behalf of company A any of the research and development to which that expenditure is attributable.

- (6) That amount is such amount of those staffing costs as forms part of the total amount of company B’s PAYE and NIC liabilities for the payment period (see section 1112D).

- (7) In this section as it applies for the purposes of section 1042I—

“qualifying expenditure” (except in the expression “qualifying expenditure on the externally provided worker”) means expenditure that is qualifying Chapter 1A expenditure by virtue of section 1042D, 1042E or 1042F;

“qualifying contractor expenditure” means expenditure that is qualifying Chapter 1A expenditure by virtue of—

- (a) section 1042E, or
- (b) section 1042F as it applies by reference to section 1042E.

- (8) In this section as it applies for the purposes of section 1058(1)—

“qualifying expenditure” (except in the expression “qualifying expenditure on the externally provided worker”) means qualifying Chapter 2 expenditure (see section 1051);

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“qualifying contractor expenditure” means qualifying expenditure that is qualifying Chapter 2 expenditure by virtue of—

- (a) section 1053, or
- (b) section 1053A as it applies by reference to section 1053.

1112D Total PAYE and NIC liabilities

- (1) For the purposes of section 1112C, the total amount of a company’s PAYE and NIC liabilities for a payment period is the sum of amount A and amount B.
- (2) Amount A is the total amount of income tax for which the company is required to account to an officer of Revenue and Customs under PAYE regulations for the period.
- (3) In calculating amount A, any deduction the company is authorised to make in respect of child tax credit or working tax credit is to be disregarded.
- (4) Amount B is the total amount of Class 1 national insurance contributions for which the company is required to account to an officer of Revenue and Customs for the accounting period.
- (5) In calculating amount B, any deduction the company is authorised to make in respect of any of the following is to be disregarded—
 - (a) statutory maternity pay,
 - (b) statutory adoption pay,
 - (c) statutory paternity pay,
 - (d) statutory shared parental pay,
 - (e) statutory parental bereavement pay;
 - (f) child tax credit, or
 - (g) working tax credit.
- (6) Subsection (7) applies if—
 - (a) in determining under section 1112C the amount of a company’s relevant PAYE and NIC liabilities for a payment period, it is necessary to determine the total amount of another company’s PAYE and NIC liabilities for that period, and
 - (b) that period falls within, but is shorter than, a payment period of that other company.
- (7) The amount produced by subsection (1) in its application to that other company is to be proportionately reduced.

1112E Exception for companies creating or managing intellectual property

- (1) There is no cap by reference to a company’s PAYE and NIC liabilities for an accounting period if the company meets conditions A and B.
- (2) A company meets condition A for an accounting period if, during the period, the company is engaged in—
 - (a) taking, or preparing to take, steps in order that relevant intellectual property will be created by it,
 - (b) creating relevant intellectual property, or
 - (c) performing a significant amount of management activity in relation to relevant intellectual property it holds.

Status: Point in time view as at 01/04/2024.

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- (3) For the purposes of subsection (2)—
- (a) a company is only engaged in an activity mentioned in paragraph (a), (b) or (c) of subsection (2) if the activity is wholly or mainly undertaken by employees of the company;
 - (b) intellectual property is “relevant” intellectual property in relation to a company if the whole or the greater part (in terms of value) of it is created by the company;
 - (c) intellectual property is created by a company if it is created in circumstances in which the right to exploit it vests in the company (whether alone or jointly with others).
- (4) For the purposes of this section—
- “intellectual property” means—
- (a) any patent, trade mark, registered design, copyright, design right or plant breeder’s right,
 - (b) any rights under the law of a country or territory outside the United Kingdom which correspond or are similar to those falling within paragraph (a), or
 - (c) any information or technique not protected by a right within paragraph (a) or (b) but having industrial, commercial or other economic value;
- “management activity”, in relation to intellectual property, means formulating plans and making decisions in relation to the development or exploitation of the intellectual property.
- (5) A company meets condition B for an accounting period if the amount (if any) given by subsection (6) does not exceed 15% of the company’s qualifying expenditure for the period.
- (6) The amount given by this subsection is the sum of the following incurred by the company in the period—
- (a) qualifying expenditure on externally provided workers (see section 1127), where the company, the staff provider and (if different) the staff controller (or staff controllers)—
 - (i) are all connected, or
 - (ii) have jointly elected (under section 1130) that section 1129 is to apply to them as if they were all connected;
 - (b) qualifying contractor expenditure, where the company and the contractor—
 - (i) are connected, or
 - (ii) have jointly elected (under section 1135) that section 1134 is to apply to them as if they were connected.
- (7) In subsection (6)(b), “qualifying contractor expenditure” has whichever of the meanings given by 1112C(7) corresponds to the purpose for which this section is being applied.
- (8) The Treasury may by regulations replace the percentage for the time being specified in subsection (5) with a different percentage.

Status: Point in time view as at 01/04/2024.

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Going concerns

1112F Restriction of credit and relief to companies that are going concerns

- (1) Subsection (2) applies if a company makes a claim under section 1042C (claims for R&D expenditure credit) at a time when it is not a going concern.
- (2) No amount is to be paid to the company at step 7 in section 1042I as a result of the claim.
- (3) Subsection (2) ceases to apply (and the company accordingly becomes entitled to be paid) if the company becomes a going concern on or before the last day on which it would be entitled to amend the claim in accordance with paragraph 83E of Schedule 18 to FA 1998.
- (4) A company may not make—
 - (a) a claim under section 1044 (R&D relief by way of additional deduction),
 - (b) an election under section 1045 (R&D relief by way of deemed trading loss), or
 - (c) a claim under section 1054 (R&D tax credit),at a time when it is not a going concern.
- (5) If a company ceases to be a going concern after making a claim under section 1054, it is treated as if it had not made the claim (and accordingly there is treated as having been no payment of R&D tax credit to carry interest under section 826 of ICTA).
- (6) Subsection (5) does not apply so far as the claim relates to an amount that was paid or applied before the company ceased to be a going concern.

1112G Meaning of “going concern”

- (1) For the purposes of section 1112F, a company is a going concern if—
 - (a) its latest published accounts were prepared on a going concern basis, and
 - (b) nothing in those accounts indicates that they were prepared on that basis only because of an entitlement or expected entitlement to a credit or relief under this Part.
- (2) But a company is not a going concern if it is in administration or liquidation.
- (3) For the purposes of this section, a company is in administration if—
 - (a) it is in administration under Part 2 of the Insolvency Act 1986 or Part 3 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), or
 - (b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.
- (4) For the purposes of this section, a company is in liquidation if—
 - (a) it is in liquidation within the meaning of section 247 of that Act or Article 6 of that Order, or
 - (b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.
- (5) If—
 - (a) a company transfers its trade and research and development to another company that is a member of the same group, and

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- (b) only by reason of that transfer, the company's accounts for the period of account in which the transfer took place are not prepared on a going concern basis,
the accounts are to be treated for the purposes of this section as if they were prepared on a going concern basis.
- (6) Section 436(2) of the Companies Act 2006 (meaning of "publication" of documents) has effect for the purposes of this section.

Outstanding tax matters

1112H No credit payable if certain tax matters outstanding

- (1) This section applies in relation to an amount that a company would, but for this section, be entitled to be paid—
 - (a) at step 7 in section 1042I (payment of R&D expenditure credit not applied for other purposes), or
 - (b) under section 1054 (payment of R&D tax credit).
- (2) If the company's tax return for the accounting period in question is enquired into by an officer of Revenue or Customs—
 - (a) the amount does not have to be paid to the company, but
 - (b) an officer of Revenue and Customs may make a payment on a provisional basis of such amount as the officer thinks fit.
- (3) If the company has outstanding PAYE or NIC liabilities for the accounting period in question, the amount does not have to be paid to the company.
- (4) For the purposes of subsection (3), a company has outstanding PAYE or NIC liabilities for an accounting period if it has not paid to an officer of Revenue and Customs any amount that it is required to pay—
 - (a) under PAYE regulations, or
 - (b) in respect of Class 1 national insurance contributions,
for payment periods ending in the accounting period.

Artificially inflated claims

1112I Transactions aimed at obtaining credit or relief to be disregarded

- (1) To the extent that a transaction is attributable to arrangements entered into for a disqualifying purpose, it is to be disregarded in ascertaining a company's entitlement to relief under this Part.
- (2) Arrangements are entered into for a disqualifying purpose if their main purpose, or one of their main purposes, is to enable a company to obtain relief under this Part—
 - (a) to which it would not otherwise be entitled, or
 - (b) of greater amount than that to which it would otherwise be entitled.

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Additional limits

1112J Power to further limit Chapter 2 relief

The Treasury may, by regulations, limit the availability of relief under Chapter 2 in respect of—

- (a) companies (or groups of companies) of a prescribed description,
- (b) research and development projects of a prescribed description, or
- (c) expenditure of a prescribed description.]

CHAPTER 9

SUPPLEMENTARY

SMEs and large companies

1119 “Small or medium-sized enterprise”

- (1) In this Part “small or medium-sized enterprise” means a micro, small or medium-sized enterprise as defined in Commission Recommendation (EC) No 2003/361, but subject to the qualifications in section 1120 [F102 (and see sections 1120A and 1120B)].
- (2) The Treasury may by order amend this section or [F103 sections 1120 to 1120B] to substitute a different definition of “small or medium-sized enterprise” for the purposes of this Part.
- (3) This section is subject to section 1081 (insurance companies to be treated as large companies for purposes of [F104 Chapter 2]).

Textual Amendments

F102 Words in s. 1119(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. 16\(1\)\(a\), 20](#)

F103 Words in s. 1119(2) 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. 16\(1\)\(b\), 20](#)

F104 Words in s. 1119(3) substituted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 15 para. 21](#)

1120 Qualifications to section 1119

- (1) This section contains qualifications to the definition of small or medium-sized enterprise in section 1119.
- (2) The qualifications are—

Qualification 1

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 millions euros (respectively).

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Qualification 2

If each of conditions A to D is met, Article 4(2) of the Annex is to be disregarded in determining whether a company (“C”) is within the definition of small or medium-sized enterprise in section 1119 for an accounting period in which C exceeds the employee limit or the financial limits.

- (3) Condition A is that C is a micro, small or medium-sized enterprise as defined in the Recommendation (or would be if the Annex were read as set out in qualification 1), disregarding any partner enterprise or linked enterprise.
- (4) Condition B is that a partner enterprise or linked enterprise to which C is related exceeds the employee limit or both of the financial limits, disregarding the number of employees, the annual turnover and the annual balance sheet totals of C.
- (5) Condition C is that the number of employees, annual turnover or annual balance sheet total (as the case may be) of the partner enterprise or linked enterprise to which C is related has been taken into account in determining whether C exceeded the employee limit or the financial limits.
- (6) Condition D is that, taken alone, C satisfies the employee limit and at least one of the financial limits.

[^{F105}(6A) This section is subject to [sections 1120A](#) and [1120B](#).]

- (7) In this section [^{F106}and in [sections 1120A](#) and [1120B](#)] —
 - (a) references to the Recommendation are to the Commission Recommendation mentioned in section 1119(1),
 - (b) references to the Annex are to the Annex to the Recommendation,
 - (c) references to the employee limit are to the limit on the number of employees contained in Article 2(1) of the Annex (read as set out in qualification 1), and
 - (d) references to the financial limits are to the limits on the annual turnover and balance sheet totals contained in Article 2(1) of the Annex (read as set out in qualification 1).

Textual Amendments

F105 S. 1120(6A) 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. 16\(2\)\(a\), 20](#)

F106 Words in s. 1120(7) 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. 16\(2\)\(b\), 20](#)

[^{F107}**1120** ~~Enterprise treated as an SME where related enterprise becomes large~~

- (1) This section applies, in relation to an accounting period, where the following conditions are met.
- (2) The first condition is that, for the duration of the accounting period, an enterprise (“E”) is related to a partner enterprise or linked enterprise (“F”).
- (3) The second condition is that, at the start of the accounting period, both E and F are small or medium-sized enterprises.

Status: Point in time view as at 01/04/2024.

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- (4) The third condition is that, at the end of the accounting period, E is not a small or medium-sized enterprise by reason only that F has, during the accounting period, exceeded the employee limit or either of the financial limits.
- (5) Both E and F are to be treated as if they were small or medium-sized enterprises for the accounting period.

Textual Amendments

F107 Ss. 1120A, 1120B 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. 16(3), 20

1120B Enterprise treated as an SME where acquired by an SME

- (1) This section applies, in relation to an accounting period, where the following conditions are met.
- (2) The first condition is that, at the start of the accounting period, an enterprise (“E”) was not a small or medium-sized enterprise by reason only that a partner enterprise or linked enterprise to which E was related exceeded the employee limit or either of the financial limits.
- (3) The second condition is that, during the accounting period, control of E was acquired by a company that, at the time of the acquisition, was a small or medium-sized enterprise.
- (4) E is to be treated as if it were a small or medium-sized enterprise for the accounting period.
- (5) In subsection (3) “control” has the same meaning as in section 1124 of CTA 2010.]

Textual Amendments

F107 Ss. 1120A, 1120B 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. 16(3), 20

1121 “Larger SME”

References in this Part to a “larger SME” are to a company which is a small or medium-sized enterprise by virtue of qualification 1 in section 1120.

1122 “Large company”

In this Part “large company” means a company that is not a small or medium-sized enterprise.

Status: Point in time view as at 01/04/2024.

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Staffing costs

1123 “Staffing costs”

- (1) For the purposes of this Part the staffing costs of a company are amounts to which subsection (2), (3), (4), (5) or (7) applies.
- (2) This subsection applies to an amount paid by the company to a director or an employee of the company which—
 - (a) is earnings consisting of money, and
 - (b) is paid because of the director's or employee's employment.
- (3) This subsection applies to an amount paid by the company to a director or an employee of the company, other than an amount paid in respect of benefits in kind, if—
 - (a) the amount is paid in respect of expenses paid by the director or employee, and
 - (b) the amount is paid because of the director's or employee's employment.
- (4) This subsection applies to secondary Class 1 national insurance contributions paid by the company.
- (5) This subsection applies to compulsory contributions paid by the company in respect of benefits for directors or employees of the company under the social security legislation of an EEA State ^{F108}... or Switzerland.
- (6) In subsection (5) “social security legislation” means legislation relating to any of the branches of social security listed in Article 3(1) of Regulation (EC) No. 883/2004 of the European Parliament and of the Council on the co-ordination of social security systems [^{F109}as it had effect in the UK immediately before IP completion day].
- (7) This subsection applies to contributions paid by the company to a pension fund operated for the benefit of directors or employees of the company.
- (8) In subsection (7) “pension fund” means a scheme, fund or other arrangement established and maintained (whether in the United Kingdom or elsewhere) for the purpose of providing pension benefits.

For this purpose “scheme” includes a deed, agreement or series of agreements.

- (9) In subsection (8) “pension benefits” means pensions, retirement annuities, allowances, lump sums, gratuities or other superannuation benefits (with or without subsidiary benefits).

Textual Amendments

F108 Words in s. 1123(5) omitted (31.12.2020) by virtue of [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019](#) (S.I. 2019/689), regs. 1, **16(21)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)

F109 Words in s. 1123(6) substituted (31.12.2020) by [The Taxes \(State Aid\) \(Amendments\) \(EU Exit\) Regulations 2020](#) (S.I. 2020/1499), regs. 1, **5(2)**

Modifications etc. (not altering text)

C7 S. 1123 applied (with modifications) by [2010 c. 4](#), s. 357BLB(7)(a) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by [Finance Act 2016](#) (c. 24), s. **64(3)**)

Status: Point in time view as at 01/04/2024.

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1124 Staffing costs: attributable expenditure

- (1) This section applies for the purposes of this Part to identify when staffing costs are attributable to relevant research and development.
- (2) The costs which are so attributable are those paid to, or in respect of, directors or employees who are directly and actively engaged in relevant research and development.
- (3) Subsection (4) applies if a director or employee is partly engaged directly and actively in relevant research and development.
- (4) The appropriate proportion of the staffing costs relating to the director or employee is treated as attributable to relevant research and development.
- (5) Subsection (6) applies if persons provide services, such as secretarial or administrative services, in support of activities carried on by others.
- (6) Those persons are not, as a result of providing those services, to be treated as themselves directly and actively engaged in those activities.

Modifications etc. (not altering text)

- C8** S. 1124 applied (with modifications) by 2010 c. 4, s. 357BLB(7)(b) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by Finance Act 2016 (c. 24), s. 64(3))
- C9** S. 1124(5)(6) applied by 2010 c. 4, s. 357BJB(7) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by Finance Act 2016 (c. 24), s. 64(3))

Software ^{F110}, data licences, cloud computing services] or consumable items

Textual Amendments

- F110** 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 ^{F111}, data licences, cloud computing services] or consumable items”

- (1) For the purposes of this Part expenditure on software ^{F112}, data licences, cloud computing services or consumable items means an amount paid by the company in respect of]—
 - (a) computer software, ^{F113} ...

^{F114}(aa) data licences,

 - (ab) cloud computing services, or]
 - (b) consumable or transformable materials.
- ^{F115}(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—
 - (a) data storage and hardware facilities;
 - (b) operating systems and software platforms.]

Status: Point in time view as at 01/04/2024.

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

Textual Amendments

- F111** 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](#)
- F112** 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](#)
- F113** 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](#)
- F114** 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](#)
- F115** 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)

- C10** 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 [^{F116}, 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 [^{F117}, data licences, cloud computing services] or consumable items is attributable to relevant research and development.
- (2) Expenditure on software [^{F118}, data licences, cloud computing services] or consumable items is so attributable if the software [^{F118}, data licences, cloud computing services] or consumable items are employed directly in relevant research and development.
- (3) Subsection (4) applies if software [^{F119}, 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 [^{F120}, data licences, cloud computing services] or consumable items is treated as attributable to relevant research and development.
- (5) Subsection (6) applies if software [^{F121}, 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 [^{F122}, 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.

[^{F123}(7) This section is subject to sections 1126A and 1126B.]

Textual Amendments

- F116** 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](#)

Status: Point in time view as at 01/04/2024.

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- F117** 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](#)
- F118** 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](#)
- F119** 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](#)
- F120** 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](#)
- F121** 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](#)
- F122** 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](#)
- F123** 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)

- C11** 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\(3\)](#))

[^{F124}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) a right to sell data in respect of which the licence is granted or the service is provided (as the case may be);
 - (b) 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

- F124** 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](#)

[^{F125}1126] **Attributable expenditure: special rules [^{F126}for consumable items]**

- (1) Expenditure on consumable items is not to be treated as attributable to relevant research and development if—

Status: Point in time view as at 01/04/2024.

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- (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.
- (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.

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- (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

F125 Ss. 1126A, 1126B inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\), s. 28\(3\)](#)

F126 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)

C11 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 [^{F127}data licences, cloud computing services or] consumable items is attributable to relevant research and development, including provision modifying the effect of section 1126 [^{F128}, 1126ZA] or 1126A.
- (2) Regulations under this section may include provision about—
- (a) the circumstances in which expenditure on [^{F129}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 [^{F130}data licences, cloud computing services or] consumable items are, or are not, to be treated as employed directly in relevant research and development.

^{F131}(3)

- (4) Regulations under this section may amend—
- (a) section 1126;

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- F132** [[section 1126ZA](#)];
- (a) section 1126A;
- (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

- F125** Ss. 1126A, 1126B inserted (with effect in accordance with s. 28(7) of the amending Act) by [Finance Act 2015 \(c. 11\), s. 28\(3\)](#)
- F127** 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](#)
- F128** 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](#)
- F129** 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](#)
- F130** 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](#)
- F131** [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](#)
- F132** 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)

- C11** 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\(3\)](#))

Qualifying expenditure on externally provided workers

1127 “Qualifying expenditure on externally provided workers”

- (1) For the purposes of this Part a company incurs expenditure on externally provided workers if—
- (a) it makes a payment (a “staff provision payment”) to another person (the “staff provider”), and
 - (b) the payment is in respect of the supply to the company, by or through the staff provider, of the services of any externally provided workers.
- (2) The company's qualifying expenditure on externally provided workers is determined in accordance with section 1129 or 1131.
- (3) In sections 1128 to 1131 references to “staff provider” and “staff provision payment” are to be read in accordance with subsection (1).

Status: Point in time view as at 01/04/2024.

Changes to legislation: Corporation Tax Act 2009, Part 13 is up to date with all changes known to be in force on or before 12 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)

Modifications etc. (not altering text)

- C12** Ss. 1127-1131 applied (with modifications) by 2010 c. 4, s. 357BLB(7)(e) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by Finance Act 2016 (c. 24), s. 64(3))

1128 “Externally provided worker”

- (1) For the purposes of this Part a person is an “externally provided worker” in relation to a company if each of conditions A to G is met.
- (2) Condition A is that the worker is an individual.
- (3) Condition B is that the worker is not a director or employee of the company.
- (4) Condition C is that the worker personally provides, or is under an obligation personally to provide, services to the company.
- (5) Condition D is that the worker is subject to (or to the right of) supervision, direction or control by the company as to the manner in which those services are provided.
- (6) Condition E is that the worker's services are supplied to the company through a staff provider (whether or not the worker is a director or employee of the staff provider or any other person).
- (7) Condition F is that the worker provides, or is under an obligation to provide, those services personally to the company under the terms of a contract between the worker and [^{F133}a person other than the company (the “staff controller”)].
- (8) Condition G is that the provision of those services does not constitute the carrying on of activities contracted out by the company.

[^{F134}(9) In sections 1129 to [^{F135}1132A] references to “staff controller” are to be read in accordance with subsection (7).]

Textual Amendments

- F133** Words in s. 1128(7) substituted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by Finance Act 2012 (c. 14), Sch. 3 para. 34(2)
- F134** S. 1128(9) inserted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by Finance Act 2012 (c. 14), Sch. 3 para. 34(3)
- F135** Word in s. 1128(9) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 9(3), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

Modifications etc. (not altering text)

- C12** Ss. 1127-1131 applied (with modifications) by 2010 c. 4, s. 357BLB(7)(e) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by Finance Act 2016 (c. 24), s. 64(3))
- C13** S. 1128 modified by 2010 c. 4, s. 357WBA(3) (as inserted (16.11.2017) by Finance (No. 2) Act 2017 (c. 32), Sch. 7 para. 15)

1129 Qualifying expenditure on externally provided workers: connected persons

- (1) This section applies if—

Status: Point in time view as at 01/04/2024.

Changes to legislation: Corporation Tax Act 2009, Part 13 is up to date with all changes known to be in force on or before 12 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)

- (a) a company makes a staff provision payment,
 - ^{F136}(b) the company, the staff provider and (if different) the staff controller (or staff controllers) are all connected, and
 - (c) in accordance with generally accepted accounting practice—
 - (i) the whole of the staff provision payment has been brought into account in determining the staff provider's profit or loss for a relevant period, and
 - (ii) all of the relevant expenditure of each staff controller has been brought into account in determining the staff controller's profit or loss for a relevant period.]
- (2) The company's qualifying expenditure on externally provided workers is—
- (a) the entire staff provision payment, or
 - (b) if less, an amount equal to ^{F137}the aggregate of the relevant expenditure of each staff controller].
- (3) “Relevant expenditure”^{F138}, in relation to a staff controller,] means expenditure that—
- (a) is incurred by the ^{F139}staff controller] in providing for the company the externally provided workers to whom the staff provision payment relates,
 - (b) is not of a capital nature, ^{F140} ...
 - (c) is incurred on staffing costs or agency workers' remuneration^{F141}, and
 - (d) is attributable to qualifying earnings of externally provided workers.]
- (4) “Relevant period”^{F142}, in relation to a person,] means a period—
- (a) for which accounts are drawn up for the ^{F143}person], and
 - (b) that ends not more than 12 months after the end of the company's period of account in which the staff provision payment is, in accordance with generally accepted accounting practice, brought into account in determining the company's profit or loss.
- ^{F144}(4A) In subsection (2) the reference to the staff provision payment is to that payment before any deduction is made from the payment under—
- (a) section 61S of ITEPA 2003,
 - (b) regulation 19 of the Social Security Contributions (Intermediaries) Regulations 2000, or
 - (c) regulation 19 of the Social Security Contributions (Intermediaries) (Northern Ireland) Regulations 2000.]
- (5) In section 1123 (meaning of “staffing costs”), which applies for the purpose of determining whether ^{F145}the expenditure of a staff controller] meets the requirements of subsection (3)(c), references to a company are to be read as references to ^{F146}a staff controller].
- (6) “Agency workers' remuneration”, in the case of any person who is an externally provided worker in relation to the company, means remuneration that—
- (a) is receivable by the worker under or in consequence of the contract mentioned in section 1128(7), but
 - (b) does not constitute employment income of the worker apart from Chapter 7 of Part 2 of ITEPA 2003 (application of provisions to agency workers).
- (7) Any apportionment of expenditure of the company or ^{F147}a staff controller] necessary for the purposes of this section is to be made on a just and reasonable basis.

Status: Point in time view as at 01/04/2024.

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Textual Amendments

- F136** S. 1129(1)(b)(c) substituted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 3 para. 35(2)**
- F137** Words in s. 1129(2)(b) substituted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 3 para. 35(3)**
- F138** Words in s. 1129(3) substituted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 3 para. 35(4)(a)**
- F139** Words in s. 1129(3)(a) substituted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 3 para. 35(4)(b)**
- F140** Word in s. 1129(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(4)(a)**, 16 (with [Sch. 1 para. 18](#)); S.I. 2024/286, reg. 2
- F141** S. 1129(3)(d) and word inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), **Sch. 1 paras. 9(4)(b)**, 16 (with [Sch. 1 para. 18](#)); S.I. 2024/286, reg. 2
- F142** Words in s. 1129(4) inserted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 3 para. 35(5)(a)**
- F143** Words in s. 1129(4)(a) substituted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 3 para. 35(5)(b)**
- F144** S. 1129(4A) inserted (with effect in accordance with Sch. 1 para. 28 of the amending Act) by [Finance Act 2020 \(c. 14\)](#), **Sch. 1 para. 23(2)** (with [Sch. 1 paras. 30-34](#))
- F145** Words in s. 1129(5) substituted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 3 para. 35(6)(a)**
- F146** Words in s. 1129(5) substituted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 3 para. 35(6)(b)**
- F147** Words in s. 1129(7) substituted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 3 para. 35(7)**

Modifications etc. (not altering text)

- C12** Ss. 1127-1131 applied (with modifications) by [2010 c. 4, s. 357BLB\(7\)\(e\)](#) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **s. 64(3)**)

1130 Election for connected persons treatment

- [^{F148}(1) If—
- (a) a company makes a staff provision payment, and
 - (b) the company, the staff provider and (if different) the staff controller (or staff controllers) are not all connected,
- they may jointly elect that section 1129 is to apply to them as if they were all connected.]
- (2) Any such election [^{F149}has effect] in relation to all staff provision payments paid under the same contract or other arrangement.
 - (3) The election must be made by notice in writing to an officer of Revenue and Customs.
 - (4) The notice must be given before the end of the period of two years beginning immediately after the end of the company's accounting period in which the contract or other arrangement is entered into.
 - (5) An election under this section is irrevocable.

Status: Point in time view as at 01/04/2024.

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Textual Amendments

- F148** S. 1130(1) substituted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 36\(2\)](#)
- F149** Words in s. 1130(2) substituted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 36\(3\)](#)

Modifications etc. (not altering text)

- C12** Ss. 1127-1131 applied (with modifications) by [2010 c. 4, s. 357BLB\(7\)\(e\)](#) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 64\(3\)](#))

1131 Qualifying expenditure on externally provided workers: other cases

- (1) This section applies if—
- (a) a company makes a staff provision payment,
 - ^[F150](b) the company, the staff provider and (if different) the staff controller (or staff controllers) are not all connected,] and
 - (c) no election is made under section 1130.
- (2) The company's qualifying expenditure on externally provided workers is ^[F151]65% of so much of the staff provision payment as is attributable to qualifying earnings of externally provided workers].
- ^[F152](3) In subsection (2) the reference to the staff provision payment is to that payment before any deduction is made from the payment under—
- (a) section 61S of ITEPA 2003,
 - (b) regulation 19 of the Social Security Contributions (Intermediaries) Regulations 2000, or
 - (c) regulation 19 of the Social Security Contributions (Intermediaries) (Northern Ireland) Regulations 2000.]
- ^[F153](4) Any apportionment of expenditure of the company necessary for the purposes of this section is to be made on a just and reasonable basis.]

Textual Amendments

- F150** S. 1131(1)(b) substituted (with effect in accordance with Sch. 3 para. 38 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 3 para. 37](#)
- F151** Words in s. 1131(2) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 9\(5\)\(a\)](#), 16 (with [Sch. 1 para. 18](#)); [S.I. 2024/286](#), [reg. 2](#)
- F152** [S. 1131\(3\)](#) inserted (with effect in accordance with Sch. 1 para. 28 of the amending Act) by [Finance Act 2020 \(c. 14\)](#), [Sch. 1 para. 23\(3\)](#) (with [Sch. 1 paras. 30-34](#))
- F153** [S. 1131\(4\)](#) inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 9\(5\)\(b\)](#), 16 (with [Sch. 1 para. 18](#)); [S.I. 2024/286](#), [reg. 2](#)

Modifications etc. (not altering text)

- C12** Ss. 1127-1131 applied (with modifications) by [2010 c. 4, s. 357BLB\(7\)\(e\)](#) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 64\(3\)](#))

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^{F154} **Sections 1129 and 1131: secondary Class 1 NICs paid by company**

- (1) This section applies if—
 - (a) a company makes a staff provision payment,
 - (b) the company is treated as making a payment of deemed direct earnings the amount of which is calculated by reference to the amount of the staff provision payment, and
 - (c) the company pays a secondary Class 1 national insurance contribution in respect of the payment of deemed direct earnings.
- (2) In determining the company's qualifying expenditure on externally provided workers in accordance with section 1129(2) or section 1131(2) the amount of the staff payment provision is to be treated as increased by the amount of the contribution.
- (3) In determining the company's qualifying expenditure on externally provided workers in accordance with section 1129(2) the aggregate of the relevant expenditure of each staff controller is to be treated as increased by the amount of the contribution.
- (4) But subsection (2) does not apply to the extent that the expenditure incurred by the company in paying the contribution is met directly or indirectly by a staff controller.
- (5) “A payment of deemed direct earning” means a payment the company is treated as making by reason of regulation 14 of the Social Security Contributions (Intermediaries) Regulations 2000 or regulation 14 of the Social Security Contributions (Intermediaries) (Northern Ireland) Regulations 2000.]

Textual Amendments

F154 S. 1131A inserted (with effect in accordance with Sch. 1 para. 28 of the amending Act) by [Finance Act 2020 \(c. 14\)](#), [Sch. 1 para. 23\(4\)](#) (with [Sch. 1 paras. 30-34](#))

1132 External workers: attributable expenditure

- (1) This section applies for the purposes of this Part to identify when qualifying expenditure on externally provided workers is attributable to relevant research and development.
- (2) Qualifying expenditure on externally provided workers is so attributable if the workers are directly and actively engaged in relevant research and development.
- (3) Subsection (4) applies if an externally provided worker is partly engaged directly and actively in relevant research and development.
- (4) The appropriate proportion of the qualifying expenditure relating to the worker is treated as attributable to relevant research and development.
- (5) Subsection (6) applies if persons provide services (such as secretarial or administrative services) in support of activities carried on by others.
- (6) Those persons are not, as a result of providing those services, to be treated as themselves directly and actively engaged in those activities.

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Modifications etc. (not altering text)

C14 S. 1132 applied (with modifications) by 2010 c. 4, s. 357BLB(7)(f) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by Finance Act 2016 (c. 24), s. 64(3))

[^{F155}1132A “Qualifying earnings”

- (1) This section determines what are “qualifying earnings” in relation to an externally provided worker for the purposes of this Part.
- (2) The worker’s earnings are qualifying earnings if either—
 - (a) the staff controller, or
 - (b) the company in relation to which the worker is an externally provided worker, is, in respect of any part of those earnings, required to account to an officer of Revenue and Customs both for income tax under PAYE regulations and for Class 1 national insurance contributions.
- (3) If subsection (2) does not apply, the worker’s earnings are qualifying earnings if and to the extent that they are attributable to relevant research and development that is undertaken outside the United Kingdom and to which section 1138A applies.
- (4) In this section, “the worker’s earnings” means the worker’s earnings under the contract mentioned in section 1128(7).]

Textual Amendments

F155 S. 1132A inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 9(6), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

[^{F156}Contracting out

Textual Amendments

F156 S. 1133 and cross-heading substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 9(7), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

1133 Contracted out research and development

- (1) This section applies for the purposes of this Part.
- (2) A person “contracts out” research and development if—
 - (a) the person enters into a contract under which activities are to be undertaken for it (whether by another party to the contract or by a sub-contractor),
 - (b) the activities undertaken in order to meet the obligations owed to the person under the contract include research and development, and
 - (c) it is reasonable to assume, having regard to the terms of the contract and any surrounding circumstances, that the person intended or contemplated when

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entering into the contract that research and development of that sort would be undertaken in order to meet those obligations.

- (3) The research and development that is “contracted out” is the research and development referred to in subsection (2)(b), to the extent that subsection (2)(c) is satisfied in relation to it.
- (4) Research and development contracted out by a person is contracted out “to”—
 - (a) the party to the contract who undertakes the obligations referred to in subsection (2)(b), and
 - (b) any sub-contractor who undertakes contractual responsibility for the activities needed to meet those obligations.
- (5) References to a sub-contractor include any sub-contractor at one or more removes from the contract referred to in subsection (2).
- (6) A “contractor payment” is a payment made in respect of contracted out research and development to a person to whom it is contracted out.
- (7) A payment that relates only partly to contracted out research and development is to be apportioned on a just and reasonable basis for the purposes of subsection (6).
- (8) Sections 1134 to 1136 determine the “qualifying element” of a contractor payment.]

1134 Qualifying element of [^{F157} contractor] payment: connected persons

- (1) This section applies if—
 - ^{F158}(a) a company (“A”) makes a contractor payment to another person (“B”),
 - (b) A and B are connected,] and
 - (c) in accordance with generally accepted accounting practice, the whole of the ^{F159}... payment and all of [^{F160}B’s] relevant expenditure have been brought into account in determining [^{F160}B’s] profit or loss for a relevant period.
- (2) The qualifying element of the ^{F161}... payment is—
 - (a) the entire payment, or
 - (b) if less, an amount equal to [^{F162}B’s] relevant expenditure.
- (3) “Relevant expenditure” of [^{F163}B] means expenditure that—
 - (a) is incurred by [^{F164}B] in carrying on, on behalf of the company, the activities to which the ^{F165}... payment relates,
 - (b) is not of a capital nature,
 - (c) is incurred on staffing costs, software [^{F166}, data licences, cloud computing services] or consumable items or relevant payments to the subjects of a clinical trial or is qualifying expenditure on externally provided workers, and
 - ^{F167}(e) is incurred in respect of—
 - (i) research and development that is undertaken in the United Kingdom, or
 - (ii) research and development that is undertaken outside the United Kingdom and to which section 1138A applies.]
- (4) “Relevant period” means a period—
 - (a) for which accounts are drawn up for [^{F168}B], and

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- (b) that ends not more than 12 months after the end of [^{F169}A's] period of account in which the [^{F170}contractor] payment is, in accordance with generally accepted accounting practice, brought into account in determining [^{F169}A's] profit or loss.

[^{F171}(5) In section 1123 (staffing costs) and sections 1127 to 1131 (qualifying expenditure on externally provided workers) as they apply for the purposes of subsection (3)(c), references to a company are to be read as references to B.]

- (6) Any apportionment of expenditure of [^{F172}A or B] necessary for the purposes of this section is to be made on a just and reasonable basis.

Textual Amendments

- F157** Word in s. 1134 heading substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 9(8)(a)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F158** S. 1134(1)(a)(b) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 9(8)(b)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F159** Word in s. 1134(1)(c) 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(8)(c)(i)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F160** Word in s. 1134(1)(c) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 9(8)(c)(ii)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F161** Word in s. 1134(2) 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(8)(d)(i)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F162** Word in s. 1134(2)(b) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 9(8)(d)(ii)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F163** Word in s. 1134(3) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 9(8)(e)(i)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F164** Word in s. 1134(3)(a) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 9(8)(e)(ii)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F165** Word in s. 1134(3)(a) 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(8)(e)(iii)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F166** Words in s. 1134(3)(c) 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. 6(b), **20**
- F167** S. 1134(3)(e) substituted for s. 1134(3)(d) (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 9(8)(e)(iv)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F168** Word in s. 1134(4)(a) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 9(8)(f)(i)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F169** Word in s. 1134(4)(b) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 9(8)(f)(ii)**, 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

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- F170** Word in s. 1134(4)(b) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 9(8)(f)(iii), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F171** S. 1134(5) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 9(8)(g), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F172** Words in s. 1134(6) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 9(8)(h), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

1135 Election for connected persons treatment

- (1) [^{F173}Where a company makes a contractor payment to a person with whom it is not connected, the company and that person] may jointly elect that section 1134 is to apply to them as if they were connected.
- (2) Any such election must be made in relation to all [^{F174}contractor] payments paid under the same contract or ^{F175}....
- (3) The election must be made by notice in writing to an officer of Revenue and Customs.
- (4) The notice must be given before the end of the period of two years beginning immediately after the end of the company's accounting period in which the contract ^{F176}... is entered into.
- (5) An election under this section is irrevocable.

Textual Amendments

- F173** Words in s. 1135(1) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 9(9)(a), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F174** Word in s. 1135(2) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), Sch. 1 paras. 9(9)(b)(i), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F175** Words in s. 1135(2) 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(9)(b)(ii), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2
- F176** Words in s. 1135(4) 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(9)(c), 16 (with Sch. 1 para. 18); S.I. 2024/286, reg. 2

[^{F177}1130] Qualifying element of contractor payment: other cases

- (1) This section applies to a contractor payment to which section 1134 does not apply.
- (2) The qualifying element of the payment is 65% of the relevant portion of the payment.
- (3) The relevant portion is the portion that is incurred in respect of—
 - (a) research and development that is undertaken in the United Kingdom, or
 - (b) research and development that is undertaken outside the United Kingdom and to which section 1138A applies.

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- (4) An apportionment of expenditure necessary for the purposes of this section is to be made on a just and reasonable basis.]

Textual Amendments

F177 S. 1136 substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by Finance Act 2024 (c. 3), **Sch. 1 paras. 9(10), 16** (with **Sch. 1 para. 18**); S.I. 2024/286, reg. 2

Miscellaneous

1137 Accounting periods: company not within charge to corporation tax

- (1) This section applies to a company if—
- (a) it is not within the charge to corporation tax, and
 - (b) it incurs qualifying Chapter 2 expenditure ^{F178}
- (2) For the purposes of this Part the company is treated as having the accounting periods 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.

Textual Amendments

F178 Words in s. 1137(1)(b) omitted (with effect in accordance with s. 47(15) of the amending Act) by virtue of Finance Act 2016 (c. 24), **s. 47(8)**

^{F179}**1138 “Subsidised expenditure”**

.....

Textual Amendments

F179 S. 1138 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(11), 16** (with **Sch. 1 para. 18**); S.I. 2024/286, reg. 2

^{F180}**1138 Externally provided workers and contractors: R&D undertaken abroad**

- (1) This section applies to research and development undertaken outside the United Kingdom if—
- (a) the research and development is undertaken in the circumstances described in subsection (2), or
 - (b) regulations made by the Treasury provide for this section to apply.
- (2) The circumstances are that there are conditions necessary for the purposes of the research and development—
- (a) that are not present in the United Kingdom,

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- (b) that are present in the location in which the research and development is undertaken, and
 - (c) that it would be wholly unreasonable for the company to replicate in the United Kingdom.
- (3) In subsection (2) “conditions”—
- (a) includes—
 - (i) geographical, environmental or social conditions;
 - (ii) legal or regulatory requirements as a result of which the research and development may not be undertaken in the United Kingdom, but
 - (b) does not include conditions so far as relating to—
 - (i) the cost of the research and development;
 - (ii) the availability of workers to carry out the research and development.
- (4) The Treasury may by regulations make provision specifying things that are not conditions for the purposes of subsection (2).

Textual Amendments

F180 Ss. 1138A, 1138B inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 9\(12\), 16](#) (with [Sch. 1 para. 18](#)); [S.I. 2024/286](#), [reg. 2](#)

Modifications etc. (not altering text)

C15 [S. 1138A](#) applied (1.4.2024) by [The Research and Development \(Chapter 2 Relief\) Regulations 2024 \(S.I. 2024/348\)](#), [regs. 1\(1\), 3](#) (with [reg. 2](#))

1138B Exempt foreign permanent establishments

For the purposes of this Part in its application to an accounting period, a company’s expenditure is “attributable to an exempt foreign permanent establishment” if—

- (a) an election by the company under section 18A applies to the period, and
- (b) the expenditure is brought into account in calculating a relevant profits amount or a relevant losses amount for the purposes of that section as it applies in relation to the period.]

Textual Amendments

F180 Ss. 1138A, 1138B inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 9\(12\), 16](#) (with [Sch. 1 para. 18](#)); [S.I. 2024/286](#), [reg. 2](#)

^{F181}1139 “Intellectual property”

.....

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Textual Amendments

F181 S. 1139 omitted (with effect in accordance with s. 13(8) of the amending Act) by virtue of [Finance \(No. 3\) Act 2010 \(c. 33\), s. 13\(6\)](#)

[^{F182} ~~1139~~ Expenditure incurred on payments

- (1) References in this Part to expenditure incurred on payments (however expressed) are references to expenditure incurred on payments made before the making of a claim under this Part in relation to that expenditure.]

Textual Amendments

F182 S. 1139A 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. 18\(2\), 20](#)

1140 “Relevant payments to the subjects of a clinical trial”

- (1) For the purposes of this Part “relevant payment”, in relation to a subject of a clinical trial, means a payment made to the subject for participating in the trial.
- (2) For the purposes of this Part “clinical trial” means an investigation in human subjects undertaken in connection with the development of a health care treatment or procedure.

Modifications etc. (not altering text)

C16 S. 1140 applied (with modifications) by [2010 c. 4, s. 357BLB\(7\)\(g\)](#) (as inserted (with effect in accordance with s. 64(7) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 64\(3\)](#))

[^{F183} ~~1140~~ Groups

For the purposes of this Part, a company is in the same group as another company if those companies are in the same group for the purposes of Part 5 of CTA 2010.]

Textual Amendments

F183 S. 1140A inserted (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\), Sch. 1 paras. 9\(13\), 16 \(with Sch. 1 para. 18\); S.I. 2024/286, reg. 2](#)

1141 “Payment period”

In this Part a “payment period” means a period—

- (a) which ends on the fifth day of a month, and
- (b) for which the company is liable to account for income tax and national insurance contributions to an officer of Revenue and Customs.

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1142 ^{F184}Ineligible companies]

- (1) For the purposes of this Part ^{F185}a company is an “ineligible company” if it is]—
- (a) a charity,
 - (b) an institution of higher education,
 - ^{F186}(c) an association (in the sense that word has in section 469(1)(a) of CTA 2010) which meets conditions A and B in that section (conditions for qualifying as a scientific research association),]
 - (d) a health service body within the meaning of ^{F187}section 986] of that Act, or
 - (e) any other body prescribed, or of a description prescribed, by the Treasury, by order, for the purposes of this Part.
- (2) In subsection (1)(b) “institution of higher education” means—
- (a) an institution within the higher education sector within the meaning of the Further and Higher Education Act 1992 (c. 13),
 - (b) an institution within the higher education sector within the meaning of Part 2 of the Further and Higher Education (Scotland) Act 1992 (c. 37) or a central institution within the meaning of the Education (Scotland) Act 1980 (c. 44), or
 - (c) a higher education institution within the meaning of Article 30(3) of the Education and Libraries (Northern Ireland) Order 1993 (S.I. 1993/2810 (N.I. 12)).
- (3) An order under this section is to have effect in relation to the accounting periods or expenditure specified in the order.
- (4) The order may specify accounting periods beginning, or expenditure incurred, before the time the order is made.

Textual Amendments

- F184** S. 1142 heading substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 9\(14\)\(a\)](#), 16 (with [Sch. 1 para. 18](#)); [S.I. 2024/286](#), [reg. 2](#)
- F185** Words in s. 1142(1) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 9\(14\)\(b\)](#), 16 (with [Sch. 1 para. 18](#)); [S.I. 2024/286](#), [reg. 2](#)
- F186** S. 1142(1)(c) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 676\(a\)](#) (with [Sch. 2](#))
- F187** Words in s. 1142(1)(d) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 676\(b\)](#) (with [Sch. 2](#))

^{F188}1142A “Claim notification” and “claim notification period”

- (1) For the purposes of this Part—
- “claim notification” means, in relation to an R&D claim, a notification made by the company to an officer of His Majesty’s Revenue and Customs in accordance with regulations under [subsection \(2\)](#);
- “claim notification period” means, in relation to an R&D claim, the period—

Status: Point in time view as at 01/04/2024.

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- (a) beginning with the first day of the period of account which is the same as the accounting period in respect of which the claim is made, or within which that accounting period falls, and
 - (b) ending with the last day of the period of six months beginning with the first day after that period of account.
- (2) The Commissioners for His Majesty’s Revenue and Customs may by regulations specify, in relation to a claim notification—
- (a) information to be provided with the notification;
 - (b) the form and manner in which the notification is to be made.

Textual Amendments

F188 Ss. 1142A, 1142B 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. 2\(6\)](#), [20](#) Edit

1142B “R&D claim”

For the purposes of this Part an “R&D claim” means a claim under—

- (a) section [^{F189}1042C] (R&D expenditure credits),
- (b) section 1044 (relief for SMEs: additional deduction), or
- (c) section 1054 (entitlement to R&D tax credit).]

Textual Amendments

F188 Ss. 1142A, 1142B 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. 2\(6\)](#), [20](#) Edit

F189 Word in [s. 1142B\(a\)](#) substituted (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 9\(15\)](#), [16](#) (with [Sch. 1 paras. 18, 19](#)); [S.I. 2024/286](#), [reg. 2](#)

Modifications etc. (not altering text)

C17 [S. 1142B](#) modified (with effect in relation to accounting periods beginning on or after 1.4.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 16, 19](#); [S.I. 2024/286](#), [reg. 2](#)

[^{F190}1142B] Right to payment of credit inalienable

- (1) The right of a company to be paid an amount of R&D expenditure credit or R&D tax credit may not be assigned.
- (2) Accordingly, a purported assignment of such a right, or an agreement to assign such a right, is void.
- (3) References to assignment in this section are to be read in Scotland as references to assignation.]

Textual Amendments

F190 [S. 1142C](#) inserted (22.2.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 9\(16\)](#), [16](#) (with [Sch. 1 paras. 17, 18](#))

Status: Point in time view as at 01/04/2024.

Changes to legislation: Corporation Tax Act 2009, Part 13 is up to date with all changes known to be in force on or before 12 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)

[^{F191} 1142D] **General rule against payments of credit to nominees**

- (1) Where an amount of R&D expenditure credit or R&D tax credit is owed to a company, an officer of Revenue and Customs may not pay the amount to a person other than the company (even on the instruction or at the request of the company).
- (2) Subsection (1) does not apply if—
 - (a) the company requests that payment be made to a person connected with the company, or
 - (b) the officer is satisfied that exceptional circumstances make payment to the company impracticable or inconvenient.]

Textual Amendments

F191 S. 1142D inserted (with effect in accordance with Sch. 1 para. 17(2) of the amending Act) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 9\(17\)](#), 16 (with [Sch. 1 para. 18](#))

[^{F192} 1142E] **Orders and regulations: ancillary provision**

Any order or regulations under this Part may—

- (a) contain incidental, supplemental, consequential and transitional provision and savings;
- (b) make different provision for different purposes or areas.]

Textual Amendments

F192 S. 1142E inserted (22.2.2024) by [Finance Act 2024 \(c. 3\)](#), [Sch. 1 paras. 9\(18\)](#), 16 (with [Sch. 1 para. 18](#))

Status:

Point in time view as at 01/04/2024.

Changes to legislation:

Corporation Tax Act 2009, Part 13 is up to date with all changes known to be in force on or before 12 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.