

2009 Pre-Budget Report



PBRN06

9 December 2009

RESEARCH AND DEVELOPMENT TAX RELIEF

Who is likely to be affected?

1. Companies that are small or medium enterprises (SMEs) claiming the enhanced tax relief for expenditure on research and development (R&D). For the purpose of the R&D relief, the SME thresholds are higher than those set out by the European Commission (500 employees, annual turnover of €100 million and balance sheet total of €86 million rather than 500, €50 million and €43 million respectively).

General description of the measure

2. Legislation will be introduced in Finance Bill 2010 to abolish the condition requiring that any intellectual property (IP) deriving from the R&D to which the expenditure is attributable be owned by the company making the claim.

Operative date

3. The change will have effect for any expenditure incurred by a SME company on R&D in an accounting period ending on or after 9 December 2009.

Current law and proposed revisions

4. The enhanced tax relief for R&D is in Part 13 of the Corporation Tax Act 2009 (CTA). The rules applying to companies which are SMEs are in Chapter 2.
5. Currently, sections 1052 and 1053 of CTA require, among other conditions, that any intellectual property created as a result of the expenditure to which the R&D is attributable is, or will be, vested in the company.
6. Sections 1071 and 1072 of CTA apply the same condition where a company which is a SME applies under the less generous rules for large companies, because the expenditure is excluded from the SME relief by virtue of being subsidised.

7. This condition will be removed.

Further advice

8. Draft legislation and an explanatory note have been published today on the HM Revenue & Customs website.

9. If you have any questions about this change, please contact Neil Smillie on 020 7147 0864 (email: neil.smillie@hmrc.gsi.gov.uk). Information about Pre-Budget Report measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk