

*These notes refer to the Corporation Tax Act 2009
(c.4) which received Royal Assent on 26 March 2009*

CORPORATION TAX ACT 2009

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 13: Additional relief for expenditure on research and development

Overview

Chapter 1: Introduction

Section 1039: Overview of Part

2697. This section gives an overview of the Part. It is new.
2698. The source legislation refers to “tax relief” given to companies in calculating their trade profits. *Subsection (1)* makes clear that the relief is given only to companies liable to corporation tax. See *Change 77* in Annex 1. This change affects the following sections in this Part: sections 1044, 1045, 1063, 1068, 1074, 1087 and 1092.
2699. The reference to Part 9A of Schedule 18 to FA 1998 in *subsection (10)* is to that Part as amended by this Act (see Schedule 1). As this Act brings all the additional reliefs for research and development together, it repeals Parts 9BA and 9C of Schedule 18 to FA 1998.
2700. *Chapters 2 to 4* and *7* of this Part provide for relief in the case of companies which are small or medium-sized enterprises as defined for the purposes of European Union rules on state aid. Section 1120 modifies the basic definition of “small or medium-sized enterprise” in section 1119 by increasing the limits above which a company ceases to be a small or medium-sized enterprise. Schedule 2 (transitionals and savings) contains provision excluding that modified definition in relation to expenditure incurred before 1 August 2008.

Section 1040: Relief may be available under more than one Chapter of Part

2701. This section confirms that “double relief” may be available in certain circumstances. It is based on paragraphs 7 and 10A of Schedule 12 to FA 2002 and paragraph 1 of Schedule 13 to FA 2002.

Section 1041: “Research and development”

2702. This section applies the definition of “research and development” in section 837A of ICTA to this Part. It is based on paragraph 25 of Schedule 20 to FA 2000, paragraph 19 of Schedule 12 and paragraph 27 of Schedule 13 to FA 2002.
2703. This phrase is used because it has a specific meaning in guidelines published by the Department for Business, Enterprise and Regulatory Reform (formerly, the Department of Trade and Industry). Details can be found on the website www.businesslink.gov.uk.

Section 1042: “Relevant research and development”

2704. This section defines “relevant research and development”. It is based on paragraph 4 of Schedule 20 to FA 2000, paragraph 17 of Schedule 12 and paragraph 5 of Schedule 13 to FA 2002.
2705. “Relevant research and development” is a key concept. All of the reliefs given in this Part include a condition that the expenditure is incurred on relevant research and development in relation to the company.