

Allowances for Scientific Research

Part 29-02-01

This document should be read in conjunction with section 765 Taxes Consolidation Act 1997

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Introduction

The reference to “capital expenditure on scientific research” in subsection (1) of section 765 Taxes Consolidation Act (TCA) 1997 does not exclude expenditure on plant and equipment. From 1 January 2020, expenditure on a building or structure will not qualify as capital expenditure on scientific research except to the extent that the construction or development of such building or structure is scientific research.¹

It is a condition of the legislation that capital expenditure be incurred on scientific research for the purposes of a trade carried on by the claimant or for the purposes of a subsequent trade which is related to the claimant’s earlier trade of scientific research.

1 Capital Expenditure

The term “**Capital Expenditure**” is not defined in the Taxes Act. The ordinary rules of commercial accounting as modified by tax law will, where appropriate, determine whether an item of expenditure is capital or revenue in nature.

1.1 Pre-trading Expenditure

It cannot be assumed, as a general principle, that all pre-trading expenditure on scientific research is capital in nature. Nevertheless, in general, pre-trading expenditure on scientific research would be capital in nature, in that it arises in the course of creating an enduring benefit for the purposes of the trade.

Unless expenditure is capital in nature, it will not qualify for relief under subsection (1), of section 765 TCA 1997.

2 Limitations

Section 765(1)(d) provides that eligibility for capital allowances, is confined to circumstances, where the asset in question is actually brought into use for scientific research by the end of the chargeable period by the beneficiary (in line with the general rules for capital allowances).

Section 765(4) prohibits beneficiaries claiming other capital allowances in respect of the same expenditure on machinery or plant.

Section 270(2) prohibits beneficiaries claiming other capital allowances in respect of the same expenditure on the construction of a building or structure.

¹ Section 765(1)(a) as amended by Section 25(1) Finance Act 2019