

Reimbursed expenses

**Reimbursed expenses clarification:**

As discussed at recent Consultative Committee meetings HMRC has been reviewing its position on the treatment of reimbursed expenses in relation to the definition of "staffing costs" in section 1123 CTA 2009 and HMRC's position remains the same. For clarification, reimbursed expenditure will only qualify for R&D tax relief if it falls within one of the specific classes of expenditure as outlined in the legislation. Reimbursed expenditure will not automatically be treated as qualifying "staffing costs". This is because "earnings" and "expenses" under the definition of "staffing costs" for R&D purposes are intended to cover what are essentially contractual costs (other than benefits in kind) rather than out-of-pocket expenditure such as travel and subsistence. Therefore expenditure such as travel and subsistence will not come within the definition of "staffing costs" under subsections 1123(2)-or 1123(3) CTA 2009.

Note also that expenditure will only be relievable as 'staffing costs' if it meets the requirements of S1123 and is attributable under S1124 as paid in respect of directors or employees who are directly and actively engaged in relevant research and development.