

[29.2.1] Allowances for Scientific Research

Section 765 TCA 1997

Extract from Tax Briefing, Issue 18 (September 1995).

Introduction

In response to requests from practitioners, we provide the following observations on certain aspects of **Section 765 Taxes Consolidation Act 1997** - Allowance for Scientific Research.

Section 765(1)

The reference to “capital expenditure on scientific research” in **subsection (1)** of **Section 765** does not exclude expenditure on plant and equipment. Equally, it does not exclude expenditure on buildings such as laboratories, provided expenditure thereon meets the requirements of the legislation. For instance, 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.

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.

Pre-trading Expenditure

It cannot be assumed as a general principle that all pre-trading expenditure on scientific research is capital in nature. Nevertheless, it would seem that in general pre-trading expenditure on scientific research will 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 Taxes Consolidation Act 1997**.