Finance (No. 2) Act 2023 (c. 30)   1
Schedule 1 – Relief for research and development
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S C H E D U L E S

SCHEDULE 1

RELIEF FOR RESEARCH AND DEVELOPMENT

PART 2

R&D EXPENDITURE ON DATA AND CLOUD COMPUTING

Relief for R&D expenditure on data and cloud computing

3   (1) Chapter 9 of Part 13 of CTA 2009 (additional relief for expenditure on R&D: supplementary) is amended as follows.

(2) In the italic heading before section 1125 ("software or consumable items"), after "Software" insert ", data licences, cloud computing services".

(3) In that section—

    (a)   in the heading, after "Software" insert ", data licences, cloud computing services";

    (b)   in subsection (1)—

        (i) in the words before paragraph (a), for "or consumable items means expenditure on" substitute ", data licences, cloud computing services or consumable items means an amount paid by the company in respect of";

        (ii) omit the "or" at the end of that paragraph;

        (iii) after that paragraph insert—

            "(aa)   data licences,

            (ab)   cloud computing services, or";

    (c)   after subsection (1) insert—

    "(1A) For the purposes of subsection (1)(aa) a data licence is a licence to access and use a collection of digital data.

    (1B) For the purposes of subsection (1)(ab) cloud computing services include the provision of access to, and maintenance of, remote—

        (a)   data storage and hardware facilities;

        (b)   operating systems and software platforms."

(4) In section 1126 (software or consumable items: attributable expenditure)—

    (a)   in the heading, after "Software" insert ", data licences, cloud computing services";

    (b)   in subsections (1), (2), (3), (4), (5) and (6), in each place it appears, after "software" insert ", data licences, cloud computing services".

(5) After section 1126 insert—

"1126ZA Attributable expenditure: special rules for data and cloud computing

(1) Expenditure on data licences or cloud computing services is not to be treated as attributable to relevant research and development if, in connection with the grant of a licence or the provision of a service, a relevant person obtains—

   (a) a right to sell data in respect of which the licence is granted or the service is provided (as the case may be);

   (b) a right to publish, share or otherwise communicate data in respect of which the licence is granted or the service is provided (as the case may be) to a third party, other than for the purposes of communications reasonably necessary for, or incidental to, the purposes of the relevant research and development.

(2) Expenditure on data licences or cloud computing services is not to be treated as attributable to relevant research and development so far as it is attributable to a qualifying indirect activity.

(3) In this section—

   "qualifying indirect activity" means an activity mentioned in paragraph 31 of the Guidelines on the Meaning of Research and Development for Tax Purposes issued on 7 March 2023 and as amended from time to time;

   "relevant person" has the meaning given in section 1126A(10)."

(6) In section 1126A (attributable expenditure: special rules), in the heading, after "special rules" insert "for consumable items".

(7) In section 1126B (attributable expenditure: further provision)—

   (a) in subsection (1)—

      (i) after "expenditure on" insert "data licences, cloud computing services or";

      (ii) after "1126" insert ", 1126ZA";

   (b) in subsection (2)—

      (i) in paragraph (a), after "expenditure on" insert "data licences, cloud computing services or";

      (ii) in paragraph (b), after "in which" insert "data licences, cloud computing services or";

   (c) in subsection (4), after paragraph (a) insert—

      "(aa) section 1126ZA;".

Relief for R&D expenditure on data and cloud computing: consequential amendments

4   CTA 2009 is amended as follows.

5   In Chapter 6A of Part 3 (trade profits: R&D expenditure credits)—

   (a) in section 104D (expenditure on sub-contracted R&D undertaken in-house), in subsection (3)(b), after "software" insert ", data licences, cloud computing services";

    (b)   in section 104G (subsidised qualifying expenditure on in-house direct R&D), in subsection (3)(b), after "software" insert ", data licences, cloud computing services";

    (c)   in section 104J (qualifying expenditure on in-house direct R&D), in subsection (2)(b), after "software" insert ", data licences, cloud computing services";

    (d)   in section 104Y (interpretation), in subsection (2), in the description of sections 1125 to 1126B, after "software" insert ", data licences, cloud computing services".

6   In Part 13 (additional relief for expenditure on R&D)—

    (a)   in Chapter 2 (relief for SMEs: cost of R&D incurred by SME), in section 1052 (qualifying expenditure on in-house direct R&D), in subsection (2)(b), after "software" insert ", data licences, cloud computing services";

    (b)   in Chapter 9 (supplementary), in section 1134 (qualifying element of sub-contractor payment: connected persons), in subsection (3)(c), after "software" insert ", data licences, cloud computing services".

7   In Schedule 2 (transitionals and savings), in Part 15 (research and development)—

    (a)   in the italic heading before paragraph 122, after "software" insert ", data licences, cloud computing services";

    (b)   in paragraph 122(2), after "software" insert ", data licences, cloud computing services".

8   In Schedule 4 (index of defined expressions), in both places it occurs, after "software" insert ", data licences, cloud computing services".

9   In section 357BLB of CTA 2010 (qualifying expenditure on relevant R&D undertaken in-house)—

    (a)   in subsection (2), in paragraph (b), after "software" insert ", data licences, cloud computing services";

    (b)   in subsection (7)—

        (i)   in paragraph (c), after "software" insert ", data licences, cloud computing services";

        (ii)   in paragraph (d), after "software" insert ", data licences, cloud computing services".

Changes to legislation:
There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2023. Any changes that have already been made by the team appear in the content and are referenced with annotations.
View outstanding changes

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:
Whole provisions yet to be inserted into this Act (including any effects on those provisions):

–   s. 131(2)(3) substituted for s. 131(2) by 2024 c. 3 Sch. 12 para. 5(3)
–   s. 147A inserted by 2024 c. 3 Sch. 12 para. 8(1)
–   s. 148A-148C inserted by 2024 c. 3 Sch. 12 para. 8(3)
–   s. 150(6A) inserted by 2024 c. 3 Sch. 12 para. 50(5)(b)
–   s. 151(1)(c) and word inserted by 2024 c. 3 Sch. 12 para. 9(2)(d)
–   s. 151(1)(aa) inserted by 2024 c. 3 Sch. 12 para. 9(2)(c)
–   s. 151(6A) inserted by 2024 c. 3 Sch. 12 para. 9(4)
–   s. 151(8) inserted by 2024 c. 3 Sch. 12 para. 9(6)
–   s. 159(1)(a)(b) substituted for words by 2024 c. 3 Sch. 12 para. 12(2)
–   s. 159(2)(a)(b) substituted for words by 2024 c. 3 Sch. 12 para. 12(3)
–   s. 159(3)(a)(b) substituted for words by 2024 c. 3 Sch. 12 para. 12(4)
–   s. 159(4) inserted by 2024 c. 3 Sch. 12 para. 12(5)
–   s. 165(2)(a)(i)(ii) s. 165(2)(a)(b) become s. 165(2)(a)(i)(ii) by 2024 c. 3 Sch. 12 para. 50(6)(b)
–   s. 168(12) inserted by 2024 c. 3 Sch. 12 para. 14(8)
–   s. 170(2A) inserted by 2024 c. 3 Sch. 12 para. 14(9)(b)
–   s. 176A-176C and cross-heading inserted by 2024 c. 3 Sch. 12 para. 8(6)
–   s. 176D-176F and cross-heading inserted by 2024 c. 3 Sch. 12 para. 16(1)
–   s. 178(1A)(1B) inserted by 2024 c. 3 Sch. 12 para. 17(4)
–   s. 178(5)(6) inserted by 2024 c. 3 Sch. 12 para. 17(6)
–   s. 179(1A) inserted by 2024 c. 3 Sch. 12 para. 17(7)(a)
–   s. 179(3A)(3B) inserted by 2024 c. 3 Sch. 12 para. 17(7)(b)
–   s. 180(8)(b)(ii)(iia) substituted for s. 180(8)(b)(ii) by 2024 c. 3 Sch. 12 para. 19(4)
–   s. 183A inserted by 2024 c. 3 Sch. 12 para. 20(5)
–   s. 195(7A) inserted by 2024 c. 3 Sch. 12 para. 25(1)
–   s. 196(1)(e) and words inserted by 2024 c. 3 Sch. 12 para. 22(1)(b)
–   s. 196(1A) inserted by 2024 c. 3 Sch. 12 para. 21(1)(b)
–   s. 197(4)(d)(e) inserted by 2024 c. 3 Sch. 12 para. 23(b)
–   s. 197(5)(c) and word inserted by 2024 c. 3 Sch. 12 para. 22(2)(e)
–   s. 197(6A) inserted by 2024 c. 3 Sch. 12 para. 21(2)
–   s. 197(7A) inserted by 2024 c. 3 Sch. 12 para. 24
–   s. 197A inserted by 2024 c. 3 Sch. 12 para. 25(2)
–   s. 198A inserted by 2024 c. 3 Sch. 12 para. 26
–   s. 211(1)-(1C) substituted for s. 211(1) by 2024 c. 3 Sch. 12 para. 27(a)
–   s. 213(6A) inserted by 2024 c. 3 Sch. 12 para. 28
–   s. 232(3A) inserted by 2024 c. 3 Sch. 12 para. 4(6)
–   s. 232A inserted by 2024 c. 3 Sch. 12 para. 2(2)
–   s. 236(2A) inserted by 2024 c. 3 Sch. 12 para. 31(3)
–   s. 251A inserted by 2024 c. 3 Sch. 12 para. 29(1)
–   s. 253(2)(b)(va) inserted by 2024 c. 3 Sch. 12 para. 56(10)(c)(iii)
–   s. 255(2A) inserted by 2024 c. 3 Sch. 12 para. 34(1)(a)
–   s. 255(4)-(6) inserted by 2024 c. 3 Sch. 12 para. 34(1)(c)
–   s. 256A inserted by 2024 c. 3 Sch. 12 para. 35(1)
–   s. 262(1A)-(1D) inserted by 2024 c. 3 Sch. 12 para. 36
–   s. 267(3A) inserted by 2024 c. 3 Sch. 12 para. 42(1)(a)
–   s. 267(3B)-(3D) inserted by 2024 c. 3 Sch. 12 para. 43(1)(b)
–   s. 267A inserted by 2024 c. 3 Sch. 12 para. 42(2)
–   s. 268A inserted by 2024 c. 3 Sch. 12 para. 2(4)

- s. 272(8)(da) inserted by 2024 c. 3 Sch. 12 para. 44(1)
- s. 272(9)-(11) inserted by 2024 c. 3 Sch. 12 para. 43(3)(b)
- s. 272A inserted by 2024 c. 3 Sch. 12 para. 42(3)
- s. 273(3)(ba) inserted by 2024 c. 3 Sch. 12 para. 44(2)
- s. 273(4)(pa) inserted by 2024 c. 3 Sch. 12 para. 57(3)(c)
- s. 273A273B inserted by 2024 c. 3 Sch. 12 para. 45(1)
- s. 273C inserted by 2024 c. 3 Sch. 12 para. 46
- s. 276(c)(iiia) inserted by 2024 c. 3 Sch. 12 para. 45(2)(b)
- s. 276(aa) inserted by 2024 c. 3 Sch. 12 para. 45(2)(a)
- s. 311A inserted by 2024 c. 3 s. 21(3)
- Sch. 14 para. 37A37B and cross-heading inserted by 2024 c. 3 Sch. 12 para. 2(6)(b)
- Sch. 14 para. 39(1)(aa) inserted by 2024 c. 3 Sch. 12 para. 2(6)(c)(ii)
- Sch. 14 para. 39(2)(aa) inserted by 2024 c. 3 Sch. 12 para. 2(6)(c)(iii)
- Sch. 14 para. 33A inserted by 2024 c. 3 Sch. 12 para. 37(3)
- Sch. 14 para. 6(1A) inserted by 2024 c. 3 Sch. 12 para. 58(1)(a)
- Sch. 14 para. 34(2A) inserted by 2024 c. 3 Sch. 12 para. 58(1)(b)(ii)
- Sch. 14 para. 3(3)-(5) substituted for Sch. 14 para. 3(3) by 2024 c. 3 Sch. 12 para. 2(6)(a)(iii)
- Sch. 15 para. 2(1)(za) inserted by 2024 c. 3 Sch. 12 para. 16(2)
- Sch. 15 para. 2(1)(k) inserted by 2024 c. 3 Sch. 12 para. 40(2)
- Sch. 15 para. 2(1)(l) inserted by 2024 c. 3 Sch. 12 para. 41(4)
- Sch. 15 para. 1(1)(aa) inserted by 2024 c. 3 Sch. 12 para. 58(2)(a)
- Sch. 15 para. 2(1)(ea) inserted by 2024 c. 3 Sch. 12 para. 58(2)(b)(i)
- Sch. 15 para. 2(1)(fa) inserted by 2024 c. 3 Sch. 12 para. 58(2)(b)(ii)
- Sch. 16 para. 10(1) Sch. 16 para. 10 renumbered as Sch. 16 para. 10(1) by 2024 c. 3 Sch. 12 para. 58(3)(a)
- Sch. 16 para. 2(11)(b) inserted by 2024 c. 3 Sch. 12 para. 34(2)(d)(ii)
- Sch. 16 para. 2(3A) inserted by 2024 c. 3 Sch. 12 para. 38(3)
- Sch. 16 para. 2(12)(13) inserted by 2024 c. 3 Sch. 12 para. 38(8)
- Sch. 16 para. 4(3)(d) and word inserted by 2024 c. 3 Sch. 12 para. 39(3)(a)(ii)
- Sch. 16 Pt. 3 inserted by 2024 c. 3 Sch. 12 para. 40(1)
- Sch. 16 para. 10(2)(3) inserted by 2024 c. 3 Sch. 12 para. 58(3)(d)
- Sch. 16 para. 2(1)(b)(ba) substituted for Sch. 16 para. 2(1)(b) by 2024 c. 3 Sch. 12 para. 34(2)(a)
- Sch. 16 para. 3(1)(1A) substituted for Sch. 16 para. 3(1) by 2024 c. 3 Sch. 12 para. 39(2)
- Sch. 16 para. 3(7)-(9) substituted for Sch. 16 para. 3(7)(8) by 2024 c. 3 Sch. 12 para. 29(2)
- Sch. 16 para. 10(1)(a) word substituted by 2024 c. 3 Sch. 12 para. 58(3)(c)
- Sch. 16 para. 10(1) words inserted by 2024 c. 3 Sch. 12 para. 58(3)(b)(ii)
- Sch. 16 para. 10(1) words substituted by 2024 c. 3 Sch. 12 para. 58(3)(b)(i)
- Sch. 16A inserted by 2024 c. 3 Sch. 12 para. 41(1)