Capital Expenditure on R&D: Getting Plant, Machinery and Buildings Right

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This article is for general guidance only and is not tax advice. R&D tax credit and grant rules change frequently and interpretation varies by case. Always confirm current guidance with your tax adviser before relying on it for a claim.

Capital spend on R&D creates a different kind of problem than staff or materials costs. It isn't consumed in a single accounting period, and the decision that determines its tax treatment is often made months before anyone thinks about a claim.

Ireland: Plant and Machinery

Revenue's Tax and Duty Manual Part 29-02-03 requires plant and machinery used for both qualifying R&D and other purposes, such as production, to be apportioned on a "just and reasonable basis" over each relevant period of its useful economic life. The manual's worked example uses machine hours. A machine used for R&D for 25 hours a week and for production for 30 hours yields a claim on roughly 45% of that year's cost.

Expenditure on plant and machinery may be treated as incurred on either the date it is first brought into use for the trade or the date the expenditure becomes payable. The second option is subject to clawback if the asset is not brought into use within four years of the expenditure becoming payable.

Ireland: Buildings

Construction or refurbishment expenditure on a building used for qualifying R&D can generate its own credit under section 766D. This credit is distinct from the main R&D tax credit and is available in addition to any industrial buildings capital allowances already claimed on the same structure. Revenue's guidance sets a qualifying threshold of at least 35% of all activity carried on in the building or structure over a four-year "specified relevant period". Apportionment is required where only part of a building is used for R&D.

One easily missed detail is that office space embedded within a laboratory, for tasks such as preparing scientific reports, can be included in the qualifying space. A standalone office would not qualify on its own because an office is "the setting in which R&D happens" rather than something integral to it.

The clawback is significant and long-tailed. Revenue's guidance confirms that the credit is clawed back and treated as Schedule D Case IV income at four times the credit originally granted if a qualifying building is sold or repurposed away from R&D or the original trade within ten years of the accounting period for which the credit was claimed.

Canada: capital expenditure is being reinstated

Canada's SR&ED programme has excluded capital expenditure from qualifying costs after 2013, shaping equipment strategy for Canadian R&D-heavy businesses for over a decade. That position has now changed. The Department of Finance's December 2024 backgrounder on reforming the SR&ED programme confirms the government's intention to expand the enhanced 35% tax credit and restore eligibility for certain capital expenditure. The broader package also raised the annual expenditure limit for the enhanced rate. This is a live, recently legislated change, with Royal Assent given to the enabling legislation in March 2026. Businesses with meaningful Canadian equipment spend should confirm the current position directly with CRA guidance instead of relying on the historical exclusion.

The management lesson

Every capital decision, from when to bring equipment into full production to how to apportion a shared building, has a financial claim consequence that is fixed at the point the underlying business decision is made. By the time a finance team is assembling a claim, the apportionment basis for a three-year-old asset either exists in documented form or it doesn't.

Capital decisions, in other words, need R&D intent documented at the point of purchase or construction, alongside procurement and facilities decisions, rather than reconstructed once a year from the finance function's side of the business. The company that treats a lab fit-out or an equipment purchase as a claim-relevant decision from day one is in a fundamentally stronger position than the one trying to prove intent retroactively.