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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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Published 11 March 2016

Updated: 10 September 2025 - [See all updates](#)

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CIRD40045 - Intangible assets: groups: principal company

CTA09/S767

A company cannot be the principal company of a group if it is itself a 75% subsidiary of another company. However, there is an exception where company B is a 75% subsidiary of company A, but not an effective 51% subsidiary of company A. In such circumstances company B may be the principal company of a group.

So, in relation to a group headed by company A there may be companies which satisfy the 75% subsidiary requirement in terms of ordinary share capital but which are not members of the A group because they are not effective 51% subsidiaries of A. In such cases you will need to determine which of these companies is capable of being the principal company of a lower tier group.

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