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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD12550 - Core computational rules: deductible debits: general matters and adjustments for tax purposes: abortive expenditure on realisation

CTA09/PART8/S740

Background

The costs associated with realising an intangible asset are normally relieved under Part 8 by being deducted in arriving at the proceeds of realisation

(see [CIRD13240 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13240\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13240)). Where, however, the expenditure proves abortive, because the asset is not in fact realised, the expenditure cannot be relieved in this way. Nor does it fall within CTA09/S728 ([CIRD12530 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12530\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12530)) because it is outside the definition of expenditure within the paragraph (see [CIRD12250 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12250\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12250)).

Provision

S740 therefore deals specifically with this situation. Where expenditure is incurred for the purposes of a transaction that would have constituted the realisation of an intangible asset, but the transaction is not completed, the sum written off to a company's profit and loss for a period of account as a result is a deductible debit for that period.

The deductible debit is subject to any adjustment required by Part 8 or TIOPA10/PART4 (see [CIRD12030 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12030\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12030)). An adjustment may be needed for example to disallow the costs of entertaining a prospective buyer (see [CIRD12600 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12600\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12600)).

Other abortive expenditure

Expenditure for the purpose of acquiring or creating an asset or for the other purposes described in [CIRD12250 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12250\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12250), which turns out to be abortive, is subject to the same treatment as

successful expenditure without the need for a special rule.

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