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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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CIRD30540 - Intangible assets: notes on accounting practice: amortisation FRS 102

General

FRS102 s18 and s19 require goodwill and intangible assets to be amortised on a systematic basis over their useful life. The amortisation method should reflect the expected pattern in which the asset's future economic benefits are expected to be consumed. If the pattern cannot be

determined reliably, the straight-line method should be used.

Useful life

All intangible assets (including goodwill) are considered to have a finite useful life. If it is not possible to make a reliable estimate, the useful life should be restricted to a maximum of 10 years.

In the case of an intangible asset other than goodwill, the useful life cannot exceed the period of any contractual or legal rights.

Review of useful life

The useful life of goodwill and intangible assets should be reviewed when there are indicators that it may have changed. If the useful life is changed, the carrying value of the asset at the date of the change should not be amended. Instead, the carrying value should be amortised over the revised remaining useful life.

IAS38/IFRS3

The principle differences between IAS38/IFRS3 and FRS102 s18 and s19 which may have an impact for Part 8 purposes are as follows:

Under IFRS

- Systematic amortisation of goodwill is not permitted. Instead, goodwill is reviewed annually for impairment.
- Intangible assets other than goodwill can have an indefinite or a finite useful life. For intangible assets with a finite useful life, an estimate of the useful life must be made (there is no presumed maximum of 10 years in cases where a reliable estimate cannot be made).

- Intangible assets with finite useful lives are subject to systematic amortisation on the same basis as required by FRS102 s18. Where intangible assets are regarded as having an indefinite life, no amortisation is charged. Instead, such assets are reviewed annually for impairment.

FRS105 s13 and s14

There are no significant differences between FRS105 s13 and s14 and FRS102 s18 and s19 which have been identified as having an impact for Part 8 purposes.

FRS10

The principle differences between FRS10 and FRS102 s18 and s19 which may have an impact for Part 8 purposes are as follows:

Under FRS10

- There is a rebuttable presumption that the useful life will not exceed 20 years. However, in cases where rebuttal is appropriate, both goodwill and intangible assets can be regarded as having an indefinite useful life. There is no presumed maximum of 10 years in cases where a reliable estimate cannot be made.
- Goodwill and intangible assets with finite useful lives are subject to systematic amortisation on the same basis as required by FRS102 s18 and s19. Where such assets are regarded as having an indefinite life, no amortisation is charged. Instead, annual impairment reviews are carried out.

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