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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
([/government/organisations/hm-revenue-customs](#))

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CIRD20295 - Reinvestment relief: computation: interaction with CG roll-over relief: hybrid claims: examples

To illustrate the rules described in
CIRD20290

Example 1 - hybrid relief: proceeds fully reinvested

Assume that a company disposes of goodwill
(which in this case is not a chargeable intangible

asset within CTA09/PART8) on 1 January 2003. The disposal proceeds are £100,000 and the capital gain £30,000. The company purchases land and buildings for £80,000 on 1 February 2002 and a patent (from an unrelated party) for £50,000 on 1 January 2004. It claims both CG roll-over relief and CTA09/PART 8 reinvestment relief.

The company must choose how to allocate the proceeds from the disposal between the two assets acquired. If, say, it allocates £80,000 to the land and buildings and £20,000 to the patent the gain the acquisition cost of the two assets is reduced in proportion.

Land and buildings	Formula
Gain reinvested	$\text{£80,000} / \text{£100,000} \times \text{£30,000} = \text{£24,000}$
Reduced acquisition cost	$\text{£80,000} - \text{£24,000} = \text{£56,000}$
Patent	-
Gain reinvested	$\text{£20,000} / \text{£100,000} \times \text{£30,000} = \text{£6,000}$
Reduced acquisition cost	$\text{£20,000} - \text{£6,000} = \text{£14,000}$

Example 2 - hybrid relief: proceeds only partly reinvested

Assume that the land and buildings in Example 1 cost £60,000 and £20,000 respectively so that the total expenditure on new assets is (in total) only £80,000.

As the total reinvestment stands at £80,000 out of the disposal proceeds of £100,000, the £20,000 not reinvested is deducted from the gain leaving £10,000 eligible for relief (see [CIRD20240](https://www.gov.uk/hmrc-internal-manuals/corporate-cird20240) (<https://www.gov.uk/hmrc-internal-manuals/corporate-cird20240>)).

[intangibles-research-and-development-manual/cird20240](#))).

Again the company must allocate the proceeds between the two assets. If, say, it allocates £60,000 to the land and buildings and £20,000 to the patent the reduction in the gain and in the acquisition cost of the two assets is as below.

Land and buildings	Formula
Gain reinvested	$\text{£60,000} / \text{£80,000} \times \text{£10,000} = \text{£7,500}$
Reduced acquisition cost	$\text{£60,000} - \text{£7,500} = \text{£52,500}$
Patent	
Gain reinvested:	$\text{£20,000} / \text{£80,000} \times \text{£10,000} = \text{£2,500}$
Reduced acquisition cost	$\text{£20,000} - \text{£2,500} = \text{£17,500}$

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