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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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[Back to contents](#) > [CIRD70000](#)

## CIRD70410 - Telecommunications licences and rights: how the legislation works: receipts from disposals

When a taxpayer disposes of a licence or right to which the rules apply the receipt will be treated as a revenue item if:

- it may be credited in calculating the profit or loss for accounting purposes,
- this is in accordance with GAAP, and

- this is how it has been credited in any statutory accounts of the taxpayer.

## Example

On 1 January 2001 Bari and Partners (a firm) acquires an IRU for £20 million. In its accounts it amortises the expenditure at £1 million a year. Assume that this is in accordance with GAAP.

On 1 January 2005 when the IRU has been written down to £16 million Bari and Partners sells the IRU for £18 million. In the year ended 31 December 2005 the firm credits a profit on disposal of £2 million in calculating its profit for accounting purposes. Assume that this is in accordance with GAAP.

Bari and Partners are trading and the profit on disposal of £2 million will form part of its trading profits for tax purposes for the year ended 31 December 2005.

## Meaning of ‘disposal’

For the purposes of FA00/SCH23, ‘disposal’ also includes:

- The cancellation or restriction of rights attached to an existing right.
- The granting of a derivative right or the extension of derivative rights.

### ← Previous page

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird70405)

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### → Next page

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird70415)



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