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Corporate Intangibles Research and Development Manual

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CIRD43200 - Intangible assets: disincorporation relief: post-FA 2002 goodwill: effect of disincorporation relief on company: computation: goodwill written-down for tax CTA09/Part 8/S849A (2)

Goodwill written-down for tax

Where the post-FA 2002 goodwill has been subject to accounts-based deductions for amortisation or impairment ([CIRD12755](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12755) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12755>)) or to fixed rate deductions ([CIRD12905](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12905) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12905>)) the taxable credit or deductible debit is normally the difference between the net realisation proceeds ([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>)) and the tax written down value of the asset ([CIRD12770](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12770) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12770>)) and ([CIRD12795](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12795) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12795>)).

Where a claim to disincorporation relief is made, the transfer value of the post-FA 2002 goodwill is adjusted (CTA09/Part 8/S849A (2)) to the lower of:

- the tax written-down value of the goodwill.
- the market value of the goodwill.

The adjusted transfer value ensures that no taxable credit will arise on realisation, whilst allowing relievable debits to be claimed. This is demonstrated by the two examples below.

Example 1

A valid claim to disincorporation relief is made when the tax-written down value of the goodwill is £20,000 and the market value is £50,000. The transfer value for the purposes of disincorporation relief is adjusted by CTA09/Part 8/S849A (2) to £20,000 and the taxable credit is nil (£20,000 less tax written-down value £20,000).

Example 2

A valid claim to disincorporation relief is made when the tax-written down value of the goodwill is £50,000 but the market value is £20,000. The transfer value for the purposes of disincorporation is the market value of £20,000. This allows the company to claim a relievable debit of £30,000 (£20,000 less tax written-down value £50,000) on realisation. The transfer value based on the lower market value also prevents the post-FA 2002 goodwill being transferred at a loss to the shareholder(s).

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