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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD70355 - Telecommunications licences and rights: IRUs: granting of

The rules in FA00/SCH23 do not apply to the grant of an IRU by the owner of the cable system. The rules apply only to the acquisition, disposal and revaluation of IRUs. The grant of an IRU is not a 'disposal' for these purposes. The rules will, however, apply to the person who acquires an IRU from the owner of the cable system.

The owner of the cable system will qualify for capital allowances on the costs of installing it (see CA21200). Granting an IRU may give rise to a

capital receipt, but if it is part of the normal exploitation of the cable system it may be part of the owner's trading receipts. In either case the owner has not disposed of any part of the cable itself and will continue to receive capital allowances.

Grant of IRUs: capital receipts

If granting an IRU gives rise to a capital receipt, the receipt is a capital sum derived from the asset. It falls within TCGA92/S22 (1)(d) (capital sums received as consideration for the use or exploitation of assets). CG12945 tells more about the CG rules. As no part of the cable system itself is disposed of there is no part disposal (CG12730).

Agreements granting IRUs contain terms about maintenance and repair and the grant does not amount to the disposal of absolute ownership of the rights to use the cables. No costs are attributable to the rights granted and the only deductions that you should allow in computing the capital gain are the incidental costs of disposal (CG15250).

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