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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD70110 - Telecommunications licences and rights: introduction: outline Background

When the Government decided to auction the third generation mobile phone licences it responded to representations that UK bidders would be disadvantaged if they did not enjoy a comparable tax treatment to overseas competitors. They were concerned that they would not get any revenue deduction for tax purposes as the length of the licences (20 years) meant the one-off up-front payment would be treated as capital in character.

The Government therefore proposed legislation in Finance Bill 2000 to enable the accounting treatment of expenditure on acquiring the licences, and for any proceeds from realising the value of them, or of rights attaching to them, to be followed for tax.

Moreover, in response to representations the scope of the draft legislation was extended during the passage of the Bill through Parliament to all wireless telegraphy licences that were auctioned under the Wireless Telegraphy Acts, and to IRUs.

During this period the Government was also engaged in a wider review of the CT treatment of intangible assets. This wider review resulted in the new corporate intangibles regime introduced in FA02/SCH29, and covered separately in this manual. FA02/SCH29 superseded FA00/SCH23 for CT purposes, so that for accounting periods ending after 31 March 2002, the relevant legislation is FA02/SCH29.

For income tax purposes FA00/SCH23 remains in force.

Operative date

FA00/SCH23 applies to assets acquired on or after 21 March 2000.

Brief summary

The rules in FA00/SCH23 are designed to give relief for the costs of acquiring certain wireless telegraphy licences and IRUs. The aim is to follow the accounting treatment for expenditure and for any proceeds from realising the value of the licences or rights. There are also special rules to make sure that amounts on revaluation taken to the balance sheet do not escape tax. Companies that are part of a group cannot claim relief faster than the expenditure is written off in the consolidated accounts. The main defence against avoidance is the exclusion of IRUs acquired

before 21 March 2000, and special rules for IRUs acquired from associates or associated companies

- see [CIRD70610 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird70610\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird70610).

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