

Beta This part of GOV.UK is being rebuilt – [find out what beta means \(/help/beta\)](#)

HMRC internal manual

Corporate Intangibles Research and Development Manual

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

Published 11 March 2016

Updated: 10 September 2025 - [See all updates](#)

[Back to contents](#) > [CIRD10000](#) > [CIRD12500](#)

CIRD12670 - Core computational rules: deductible debits: general matters and adjustments for tax purposes: debt impairment losses and bad debts

CTA09/PART8/S869 (FA02/SCH29/PARA115)

Treatment of debt impairment losses and bad debts under the corporate intangibles regime is determined by whether they pre- or post-date FA05:

- periods of account beginning before 1 January 2005 - FA02/SCH29/PARA115 applies
- periods of account beginning on or after 1 January 2005 but before 1 April 2009 - FA02/SCH29/PARA115 applies, as amended by FA05
- periods of account beginning on or after 1 April 2009 - CTA09/PART8/S869 applies

[Top of page](#)

Post-FA05 treatment

Approach

The only debits of this sort that may be brought into account for the purposes of CTA09/PART8 (or FA02/SCH29) are those that arise by way of impairment loss on debts for matters within those provisions, or to the extent that a debt within them has been released as part of a statutory insolvency agreement.

Sums charged against profits by creditor company

The assessment of impairment losses under FRS 102, FRS 105 and formerly FRS 26 is similar to that under IAS 39 and based on objective evidence of a loss event being incurred before an impairment loss is recognised. Impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the debt (a 'loss event') and that loss event (or events) has an impact on the amount of the debt that can be reliably estimated.

Accounting for impairments of financial assets changed with IFRS 9, a new accounting standard which is applicable for entities applying either IFRS or FRS 101 for periods beginning on or after 1 January 2018. IFRS 9 takes a different approach

to impairment losses and replaces the existing incurred loss model with a forward-looking expected loss model. Entities will now be required to consider historic, current and forward-looking losses. This will accelerate the recognition of impairment losses.

Note that companies that adopt FRS 102 have the option of applying the recognition and measurement requirements of IFRS 9.

Sums written back to profits by debtor company

Accounting gains relating to unpaid debts give rise to taxable credits within CTA09/PART8 (or FA02/SCH29). This is subject to an exception where the creditor releases the debt as part of a statutory insolvency arrangement.

[Top of page](#)

Pre-FA05 treatment

Approach

Generally debts are brought into account under FA02/SCH29 on the assumption that the amount will be paid in full when it becomes due.

The exceptions to this are where one of the following apply:

- the debt is bad
- the debt is estimated to be bad
- the debt is released as part of a statutory insolvency agreement

Sums charged against profits by creditor company

A charge in a creditor company's accounts for a bad debt only gives rise to a deductible debit under FA09/SCH29 to the extent that it is bad or estimated to be bad, subject to an exception for debts released as part of a statutory insolvency arrangement (such as a 'voluntary arrangement').

Sums written back to profits by debtor company

Paragraph 115 also deals with the position of a debtor company which has charged in its accounts, but not paid for, the sum due in respect of some service or facility it has enjoyed in relation to an intangible asset. Accounting gains relating to the unpaid debt (normally recognised because the creditor can no longer enforce recovery) give rise to taxable credits within FA02/SCH29. This is subject to an exception where the creditor releases the debt as part of a statutory insolvency arrangement.

← **Previous page**
(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12660)



OGL

All content is available under the [Open Government Licence v3.0](#), except where otherwise stated



© Crown copyright