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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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

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## CIRD44650 - Intangible assets: FA15 and F2A 2015 rules for goodwill and relevant assets: FA15 - computational examples

### Examples

The following examples show how to calculate trading and non-trading debits where a company disposes of a relevant asset that includes third party acquisition costs.

In the first example the asset acquired is not subject to a tax cost adjustment. The second

example includes a tax cost adjustment e.g. a market value adjustment because the accounting value of the goodwill recognised exceeds the market value.

## Example 1

### Loss on disposal

- Accounting cost of goodwill (CE): £280,000
- Tax adjusted cost of Goodwill (E/ECEA): £280,000
- Third party acquisition value (RAVTPA): £70,000
- $AM = RAVTPA/CEA: 0.25$

Year	Accounting debit	Unrestricted debit	S849C(2) debit	Y a v
Year 1	£28,000	£28,000	£7,000	£
Year 2	£56,000	£56,000	£14,000	£
Year 3	£56,000	£56,000	£14,000	£

### Relief under Chapter 4 for disposal in year 4

- Sale proceeds: £80,000
- Accounting loss: £60,000 (sale proceeds (£80,000) minus AV (£140,000))
- Trading debit: £60,000 ( $D \times AM$ ); where D is calculated using notional TWDV
- S849C(4): £15,000
- Non trading debit: £165,000 ( $D - TD$ ); where D is calculated using actual TWDV
- S849C(5): £150,000

## Example 2

**Loss on disposal with adjusted tax cost**

- Accounting cost of goodwill (CE): £400,000
- Tax adjusted cost of goodwill (E/CEA): £200,000
- Third party acquisition value (RAVTPA): £50,000
- $AM = RAVTPA/CEA: 0.25$

<b>Year</b>	<b>Accounting debit</b>	<b>Unrestricted debit</b>	<b>S849C(2) debit</b>	<b>Y a v</b>
Year 1	£80,000	£40,000	£10,000	£
Year 2	£80,000	£40,000	£10,000	£
Year 3	£80,000	£40,000	£10,000	£

**Relief under Chapter 4 for disposal in year 4**

- Sale proceeds: £60,000
- Accounting loss: £100,000 (sale proceeds (£60,000) minus AV (£160,000))
- Trading debit: £20,000 ( $D \times AM$ ); where D is calculated using notional TWDV
- S849C(4): £5,000
- Non trading debit: £110,000 ( $D - TD$ ); where D is calculated using actual TWDV
- S849C(5): £105,000

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