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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD27010 - Leasing of intangible assets: outline

Hire of intangible assets

Most transactions involving the hiring out (or licensing) of intangible assets are classified for accounting purposes as operating leases. For accounting periods beginning on or after 1 January 2019 (earlier adoption is allowed) the new leasing accounting standard, IFRS 16, no longer requires lessees to distinguish between operating and finance leases and introduces new concepts of accounting for leases. IFRS 16 applies to

entities who prepare accounts under IFRS or FRS 101. The rules in CTA09/PART8 continue to apply as they stand to such transactions. Note in this connection that:

- the rights of the licensee company may count as an intangible asset within the rules even though they do not appear as an asset on its balance sheet (see CIRD11170),
- the statutory definition of ‘intellectual property’ specifically includes a licence (see CIRD11150).

Leasing

But like other assets the hiring out of intangibles (however the arrangements are labelled) can in principle be regarded as a finance lease for accounting purposes. In practice, computer software is the most likely asset to be made subject to such arrangements.

The rules in CTA09/PART8 apply without adaptation to a finance leased intangible asset in the hands of the lessee.

But special provisions are required to bring finance leased assets within the scope of CTA09/PART8 in the hands of the lessor. These are contained in regulations (SI2002/1967) which take effect from 1 April 2002. Not all finance leases of intangible assets are brought within CTA09/PART8 in this way. And for those which are the computational rules are slightly modified.

Location of guidance

The accountancy background is described briefly in [CIRD27020 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27020\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27020).

The application of the rules in CTA09/PART8 to finance lessees is discussed in [CIRD27030 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27030\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27030).

[intangibles-research-and-development-manual/cird27030](#)) and CIRD27035.

The special rules for finance lessors are the subject of [CIRD27050](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27050>) onwards.

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