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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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[Back to contents](#) > [CIRD10000](#) > [CIRD40500](#)

## CIRD40510 - Intangible assets: groups: degrouping: outline of rules

### Companies leaving groups

The legislative response to the ‘enveloping’ problem ([CIRD40505 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40505\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40505)) is the adjustment on companies leaving groups dealt with in CTA09/PART8/S780-S787. The broad effect of these provisions is to recognise a gain or loss deferred on an earlier tax-neutral disposal if the asset in question leaves the group otherwise than

by a direct disposal of the asset. The rules achieve this by creating a deemed disposal at market value. The company leaving the group makes a deemed disposal and reacquisition of the asset at market value immediately after the time it acquired the asset from another group company.

The event that triggers a degrouping adjustment is a company ceasing to be a member of a group. But the amount of the gain or loss is determined by reference to a deemed disposal immediately following the acquisition of the asset from another group member, and this may have taken place up to six years previously.

Although the calculation of any gain or loss on disposal is calculated by reference to the market value of the asset at the time immediately following the disposal by a group member to the transferee company, the taxable credit or deductible debit resulting is treated as though it arose immediately prior to the transferee company leaving the group.

There are separate rules providing exceptions to degrouping adjustments that arise where:

- a company leaves a group as a result of a share disposal to which the Substantial Shareholding Exemption applies,
- new groups are formed as a result of bona fide mergers,
- an exempt distribution is made, or
- the principal company of a group becomes a member of another group.

For more detailed guidance on these various exceptions, please see [CIRD40500](https://www.gov.uk/hmrc-internal-manuals/cird40500) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40500>) for a list of the relevant pages.

← **Previous page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40505)

→ **Next page**  
**(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40520)**



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