

**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](#) > [CIRD44000](#)

## CIRD44093 - Intangible assets: Restrictions for goodwill and relevant assets: The partial restrictions on debits CTA09/S8790

This page explains how to calculate the debit when a partial restriction applies. Note that this section isn't relevant if there is a full restriction under any of the following provisions:

- CTA09/S879C (pre-FA 2019),

- CTA09/S879I (no business or qualifying IP acquired) or
- CTA09/S879K (acquisition from a related individual or firm).

The two situations that will give rise to the partial restriction are when:

- The cost of the relevant assets exceeds 6 times the cost of the qualifying IP acquired. This rule, which is contained in CTA09/S879M, is explained further at CIRD44086.
- An acquisition of relevant assets from a related individual or firm includes relevant assets which meet the third party acquisition condition. This rule is contained in CTA09/S879K and CTA09/S879N and is explained at CIRD44085 and [CIRD44090 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44090\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44090).

### **Apportionment of Chapter 3 fixed rate debits and Chapter 15 debits**

As explained above, a partial restriction under CTA09/S879O arises when a full restriction does not apply and one or both of CTA09/S879M and CTA09/S879N applies. CTA09/S879O provides for the debits to be apportioned. An apportionment is required to calculate the amount of the debit that can be relieved under Chapters 3. The balance of unrelieved costs are taken into account if there is a realisation. Debits on realisation may also be subject to further restrictions (see CIRD44096).

The apportionment for Chapter 3 debits is achieved by applying the steps below.

#### **Step 1 – calculate the relevant amount (RA) (CTA09/S879O(6))**

CTA09/S879O(6) sets out that the “relevant amount” (‘RA’) and this depends on whether the

restriction applies because of section 879M, section 879N, or both.

- For relevant assets that exceed 6 times the qualifying IP value (CTA09/S879M) see [CIRD44086](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44086) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44086>).
- For relevant assets acquired from a related individual or firm where the third party acquisition condition is met (CTA09/S879N) see [CIRD44090](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44090) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44090>).
- Where both CTA09/S897M and N apply the two relevant amounts determined under those sections are multiplied together to give RA.

## **Step 2 – calculate the debit (D) under CTA09/PART 8**

Start by considering the amount of the debit (D) that would have been relieved under CTA09/PART8 if the partial restriction did not apply (CTA09/S879O(2)). This means that in order to identify D, all the other rules within CTA09/PART8, apart from CTA09/S879O, must be applied. For example, you must include adjustments to tax cost etc.

For potential valuation adjustments that may be required see [CIRD10240](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird10240) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird10240>) and for other adjustments see [CIRD12500](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12500) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12500>) onwards.

## **Step 3 – calculate the relievable debit**

Once D and RA have been calculated the amount of the debit under CTA09/S879O(2) is calculated

by multiplying D (from step 2) by the relevant amount (RA) (from step 1).

### Example – early years

In this example the company acquires a relevant asset for £10m which is 10 times the qualifying IP costs of £1m.

1 - RA is computed by reference to CTA09/S879M(3) and is 0.6 (£1m x 6 / £10m).

2 - D is the amount of the debit that would have been brought into account but for the restriction under CTA09/S879O. Using the formula from CTA09/S731(1)(a) (writing down at a fixed rate), adjusted to 6.5% in accordance with CTA09/S879B(3), D is;

$$£10m \times 6.5\% = £650,000$$

3 - The amount of the relievable debit computed in accordance with CTA09/S879O(2) is therefore:

$$£650,000 (D) \times 0.6 (RA) = £390,000$$

### Example – final year

In the final year the actual tax written-down value will only have been reduced by the amount of relief actually given (£5.85m or £390,000 x 15). Although there is still this unrelieved balance of £4.15m, relief under s879B does not continue indefinitely because of the rule at CTA09/S731(1), which provides for a debit equal to the lesser of the fixed rate (CTA9/S731(1)(a)) or the balance of the tax written-down value (CTA09/S731(1)(b)). CTA09/S879O(2) ensures that D is again computed by reference to the tax written down value that would have been calculated before the restriction. Using the same steps:

1. RA is 0.6
2. The tax-written down value absent the restriction, calculated in accordance with

CTA09/S743(1)(b) is: £10m – (£650,000 x 15) = £250,000. D is therefore £250,000 .

3. The relievable debit for the final period, computed in accordance with CTA09/S879O(2) is:

$$£250,000 (D) \times 0.6 (RA) = £150,000$$

Note that the apportionment is the same for each accounting period regardless of whether the partial restriction is applied by reference to CTA09/S879M, CTA09/S879N or both. The example uses a partial restriction imposed by CTA09/S879M for the purpose of illustration, but the same principle should be applied to other partial restrictions.

In practice this means you will need to calculate the notional tax written-down value for each period absent any previous apportionment to ensure that the rule in CTA09/S731(1)(b) is applied consistently and in order to prevent excess relief being given. Relief given under Chapter 3 should never exceed the total tax cost of the relevant asset x RA. In the above example the total amount relieved under Chapter 3 is 0.6 of the total tax cost of £10m (total £6m).

To calculate the apportionment on a realisation see the next page (CIRD44096)

← **Previous page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44090)

→ **Next page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44096)



**OGI**

All content is available under the Open Government Licence v3.0, except where otherwise stated



© Crown copyright