

**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](#) > [CIRD40200](#)

## CIRD40250 - Intangible assets: groups: tax-neutral transfers: conditions CTA09/PART8/S775

### Companies affected

Both the companies involved in the transfer of a chargeable intangible asset need to be members of the same group, as defined in [CIRD40030](#)  
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development->

[manual/cird40030](#)) onwards, at the time of the transaction. In addition:

- neither the transferor nor the transferee must be a qualifying friendly society within the meaning of ICTA88/S461A (which continues to have effect by virtue of FA12/SCH19/PARA1); and
- the transferee must not be a dual resident investing company within the meaning of CTA10/S109, formerly ICTA88/S404 (see CTM34560).

These exceptions are made to avoid the risk of exploitation of mismatches between the tax treatment of the two parties.

## Assets affected

The asset must be:

- a 'chargeable intangible asset' (see [CIRD20035](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20035>)) in the hands of the transferor immediately before the transfer, and
- a chargeable intangible asset in the hands of the transferee company immediately after the transfer.

However, CTA09/S775(4) excludes an asset that has been used at any time for the purposes of a foreign permanent establishment where a CTA09/S18A election has effect in relation to the transferor. CTA09/S776 will not apply; instead, either the transfer will be treated as taking place at market value, or, if the asset has not been used exclusively for the purposes of a foreign permanent establishment, CTA09/S848A will apply to determine the transfer value (see INTM283000+).

## Transactions affected

Tax-neutral treatment only applies to the transfer of such an asset. Not all transactions realising an asset within the rules described in [CIRD13210](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13210) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13210>) onwards involve the transfer of an asset. See [CIRD40350](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40350) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40350>) for more details.

## Novations of contracts

An Intangible Fixed Asset may subsist in the form of contractual rights – for example, a licence to use intellectual property. The licensing of intangible fixed assets is accomplished by means of a licence agreement, being a legal instrument between the grantor and licensee which takes effect as a contract. Since such contracts generally comprise obligations as well as rights, it is not generally possible for the intangible fixed assets arising under such contracts to be transferred by means of a simple assignment. It is therefore in this context that the concept of “novation” arises.

‘Novation’ involves a three-way contract which extinguishes a contract and replaces it with another contract in which a third party takes up the rights and obligations which duplicate those of one of the original parties to the agreement.

For the purposes of CTA09/PART8, HMRC considers that the novation of a contract can be treated as a transfer of existing contractual rights (to which, for example, CTA09/S775 or CTA09/S818 might apply).

Whether the rights and obligations of the third party ‘duplicate’ those of one of the original parties to the agreement is a question of fact.

Arrangements to novate a contract can only comprise a transfer where the terms of the new contract are substantially equivalent to the original contract. Arrangements not qualifying as a transfer might involve the grant/acquisition of new

contractual rights (see also [CIRD40350](https://www.gov.uk/hmrc-internal-manuals/cird40350) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40350>)). HMRC officers should seek advice from BAI if there is any uncertainty.

← **Previous page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40220)

---

→ **Next page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40300)



**OGI**

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



© Crown copyright