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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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CIRD13060 - Core computational rules: taxable credits: revaluation of intangible assets: example

Calculation of taxable credit on revaluation: Example

Assume an intangible asset that has a fair value that can be determined by reference to an active market value was purchased for £1000 and amortised at £100 per annum. At the end of year 4 it had a carrying value of £600. It is then revalued

to £1100 in the accounts and an accounting gain of £500 recognised.

As a result of a reinvestment relief claim ([CIRD20000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20000) onwards) its tax cost on acquisition was £800. The annual deductible debits have therefore been £80 ($£800 / £1000 \times £100$) rather than £100. The tax written down value at the end of year 4 is $£800 - [4 \times £80 = £360] = £480$.

The taxable credit on the revaluation is the lesser of:

- the accounting gain adjusted in the ratio which the tax value of the asset bore to the accounting value immediately before the revaluation, and
- the total debits deducted for previous periods.

That is the lesser of:

- $£500 \times £480 / £600 = £400$, and
- $4 \times £80 = £320$.

So the taxable credit is £320. The balance of the uplift ($£500 - £320 = £180$) is disregarded.

See [CIRD12790 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12790\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12790) for the computation of subsequent deductions for the amortisation or impairment of the asset.

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