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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD10115 - Intangible assets: introduction: link with accountancy

The corporate intangible assets regime links the tax treatment to that applied in the accounts of the company in question. As a result, the tax treatment should reflect more closely the commercial realities of the situation, and so help avoid the distortion of commercial decisions by tax considerations.

However, there is not necessarily a straight read across from the entries in the profit and loss account to the tax computation. Adjustments may

be necessary where, for example, reinvestment relief has reduced the tax written down value of assets within the CTA09 rules or where the cost recognised for accounting purposes is subject to a valuation adjustment.

From 3 December 2014 goodwill transactions are also subject to different rules (see [CIRD44000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44000>) onwards).

Subject to such exclusions and adjustments the corporate intangible assets regime identifies the relevant entries in a company's accounts and brings them into an exclusively income regime for corporation tax purposes. Under these rules, sums written off intangible fixed assets are usually deductible so long as their treatment is in accordance with GAAP. All receipts from the assets, including those that were capital under previous law, are revenue items for corporation tax purposes. In addition, where assets that have previously been written down are revalued upwards, past tax deductions are recovered.

The way the accounts entries are used to arrive at the tax position is dealt with in the computations section starting at [CIRD12000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12000>), while our general approach to challenging accountancy judgements on the grounds that they are not in accordance with GAAP is dealt with at [CIRD30130](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30130) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30130>) and [CIRD30140](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30140) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30140>). A simple computational example is shown at [CIRD10116](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird10116) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird10116>).

Where this manual provides guidance on the accounting treatment under GAAP, the references

are to Sections 18 and 19 of FRS102. Other accounting standards dealing with intangible assets and goodwill include IFRS3, IAS38, Sections 13 and 14 of FRS 105, FRS7 and FRS10. In instances where the principles of these other accounting standards differ from those of Sections 18 and 19 of FRS102, this is highlighted in the relevant section. If you have concerns regarding the accounting treatment of intangibles and goodwill, seek advice from an HMRC advisory accountant.

Fixed rates

Another exception to the general rule that the accounting entries are the starting point for arriving at the tax position is where there is an election for a 4% fixed rate. This includes the 4% fixed rate election and the mandatory fixed rate of 6.5% for relevant assets acquired from 1 April 2019 under the FA19 rules. The fixed rate of relief is dealt with from [CIRD12905](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12905>) onwards.

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