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Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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Published 11 March 2016

Updated: 10 September 2025 - [See all updates](#)

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CIRD11760 - Intangible assets within CTA09/PART8: FA02 rule exceptions: fungible assets: introduction CTA09/PART8/CHAPTER16B

General treatment of fungible assets under section 900J

‘Fungible assets’ are defined in CTA09/S900J (previously CTA09/S858) as assets of a nature to be dealt in without identifying the particular assets

involved. An example of such an intangible asset would be milk quota (see CG77701 for more on agricultural quotas). Under the general computational rule in CTA09/S900J, fungible assets of the same kind are treated as a single asset.

So for the purposes of CTA09/PART8 the acquisition of additional assets of that kind is regarded as increasing the size of the single asset rather than as the acquisition of separate assets (see [CIRD12720 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12720\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12720)). Conversely the disposal of some but not all of the units comprising the single asset amounts to the part realisation of that asset (see [CIRD13230 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13230\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13230)).

Background to commencement rules for fungible assets

Under the general rule described above, where fungible assets of a particular kind are held by a company prior to 1 April 2002 any additional assets of that kind acquired subsequently would fail the general conditions of the FA02 rule (see [CIRD11500 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11500\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11500)) - the acquisitions would be regarded as merely enlarging a pre-FA 2002 asset.

On the other hand, the nature of fungible assets is such that it could often be relatively straightforward for a company to dispose of an asset of this kind held prior to 1 April 2002 and replace it immediately afterwards with a newly acquired, identical asset. CTA09/PART8 is not intended to apply to assets recycled in this way.

FA20/S31 amendments

The amendments to CTA09/PART8 by FA20/S31 reflect the introduction of a third kind of intangible asset. So CTA09/PART8 now recognises the distinction between:

- pre-FA 2002 assets,
- restricted assets (restricted under Chapter 16A), and
- unrestricted Part 8 assets or 'standard intangible fixed assets'

CTA09/S900K (previously CTA09/S890) allows these three different kinds of the single fungible asset to be treated as separate assets for the purpose of determining what kind of fungible asset has been acquired or realised, despite the application of CTA09/S900J.

Special commencement and realisation rules

CTA09/S900L - 900M (previously S890 and 891) contain provisions:

- that determine the priority order for realisations of a fungible asset. Priority is given to pre-FA 2002 assets over other kinds (CTA09/S900L(2)(a)) and restricted assets over standard intangible fixed assets (CTA09/S900L(2)(b)), and
- to enable the FA02 rule and the special rules in CTA09/CHAPTER16A to be satisfied by fungible assets acquired which are additions to assets of the same kind (see [CIRD11770](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11770) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11770>)),
- to counter the recycling of assets described above, as well as the exploitation of the rule about additions (see [CIRD11780](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11780) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11780>)).

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