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## 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](#)

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# CIRD12710 - Core computational rules: deductible debits: relief for capitalised expenditure on an intangible asset: introduction

## CTA09/PART8/S729 - 731

### Outline

These paragraphs set out how a company may obtain a corporation tax deduction relating to costs incurred on an intangible asset within Part 8 (see

[CIRD11000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11000) onwards). These are the costs which are capitalised in its accounts in accordance with GAAP ([CIRD30000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30000) onwards) and which would normally be of a capital nature on general computational principles. See [CIRD12530 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12530\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12530) onwards for the treatment of costs written off as incurred.

## Link with accounts

The tax deductions a company obtains for the capitalised cost of an intangible asset are normally based on (and very often the same as) the sums it writes off the asset in its accounts for the period of account in question. But it may instead elect irrevocably instead for relief at a fixed rate of 4% per annum. A company may also be subject to a 6.5% fixed rate in relation to relevant assets created or acquired on or after 1 April 2019 (see CIRD44055 onwards). This fixed rate relief is available regardless of the accounting treatment of the asset.

The starting point for both types of relief is normally the expenditure on the asset capitalised in a company's accounts. 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).

But [CIRD12780 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12780\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12780) describes a limited exception to the approach described above where both of the following conditions apply:

- a company is regarded as acquiring an asset at market value for the purposes of Part 8

- the value of the asset in its accounts immediately after its acquisition is nil

See [CIRD12755 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12755\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12755) onwards for detailed guidance on the accounts-based relief and [CIRD12905 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12905\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12905) onwards for fixed rate relief.

If a company recognises expenditure in its accounts on the acquisition of an asset which diverges substantially from the amount recognised for tax (for example in a CG computation) by the other party to the transaction, the reasons should in general be investigated and, if necessary, BAI should be consulted. For the particular case where an intangible asset is acquired as part of a larger bargain see [CIRD12730 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12730\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12730) onwards.

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