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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
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**CIRD40560 - Intangible assets: groups: degrouping: principal company becoming member of another group: subsequent restoration of degrouping adjustment**  
**CTA09/PART8/S785 - transferee company ceases to be controlled by member of second group**

**Conditions triggering restoration of adjustment**

As mentioned in [CIRD40550](https://www.gov.uk/hmrc-internal-manuals/cird40550) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40550>), there are occasions when the transferee company can be exposed to a degrouping adjustment when it ceases to be controlled by a member of the enlarged group (as explained in the last sub-paragraph of CIRD40550). The conditions are:

- the degrouping adjustment would have applied on leaving the first group but for the 'principal company' exemption;
- the transferee company ceases to be a 'relevant subsidiary' of a company within the second group within six years of the asset in question having been transferred to it; and
- at the time at which the transferee company ceased to satisfy the subsidiary tests, the relevant asset is still held either by the transferee company or by another company in the second group.

For the purposes of these conditions, a company P is a 'relevant subsidiary' of another company Q if, but for sections 767 to 770 CTA09, it would be a member of a group of which company Q would be the principal company

## Computational consequences

If these provisions are met, then:

- the transferee company is treated as though it had realised and reacquired the asset for its market value, immediately after the asset was transferred to it, and
- the further computational consequences described in [CIRD40520](https://www.gov.uk/hmrc-internal-manuals/cird40520) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40520>) follow.

The resulting aggregate credit or debit is treated as though it arose immediately prior to the company having ceased to be a relevant

subsidiary of a company in the second group (the second condition above). The rules described in the last sub-paragraph of CIRD40520 determine how the credit or debit is classified in the company's CT computation.

## Exception

This secondary degrouping adjustment does not apply

- in the event of a merger as described in [CIRD40580 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40580\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40580), and
- where the degrouping occurs on or after 7 November 2018 as a result of a share disposal that would qualify for the Substantial Shareholding Exemption (see CIRD40570+).

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