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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD13250 - Core computational rules: realisation of assets: complete realisation

CTA09/PART8/S735, 736 and 738

The taxable credit or deductible debit on the complete realisation of an asset depends on the earlier treatment of the asset under Part 8.

Asset written down for tax

Where the asset has been subject to accounts-based deductions for amortisation or impairment

(CIRD12790 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12790)) or to fixed rate deductions (CIRD12905 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12905)) the taxable credit or deductible debit is the difference between the net realisation proceeds (CIRD13240 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13240)) and the tax written down value of the asset (CIRD12770 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12770) and CIRD12795 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12795)).

Asset value adjusted on change in accounting policy

Where there has been an adjustment to the value of the asset on a change in accounting policy under CTA09/PART8/S871 (see CIRD13050 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13050)) this will also need to be taken into account when calculating the taxable credit or deductible debit on realisation.

Asset on balance sheet but not written down

Where the asset appears in a company's balance sheet, but has not been subject to such deductions, the taxable credit or deductible debit is the difference between the net realisation proceeds and the tax cost of the asset (CIRD12720 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12720)). Where there has been an earlier part realisation of the asset (see CIRD13260 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13260)) that tax cost is reduced by the amount set off against the net proceeds on that earlier realisation.

The decision not to write down a capitalised asset may have been taken not only because it is considered to have an indefinite life, it may, for example, have been sold very soon after its acquisition.

Asset not on balance sheet

Finally, in the case of the realisation of an asset that does not appear on a company's balance sheet at all the net disposal proceeds constitute the tax credit. An asset may not appear on a company's balance sheet either because it has already been completely written off, or because it is an internally generated asset (such as goodwill) that cannot be capitalised under the rules in GAAP for accounting for goodwill and intangible assets.

See CIRD13260 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13260) for the partial realisation of assets.

A taxable credit on realisation may be reduced following a reinvestment relief claim (CIRD20000 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20000)).

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