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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
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## CIRD40520 - Intangible assets: groups: degrouping: general conditions for adjustment

### CTA09/PART8/S780

The conditions for the degrouping adjustment to apply are as follows:

- Company A has transferred an intangible fixed asset to company B;
- The relevant asset is a ‘chargeable intangible asset’ ([CIRD20035](#) (<https://www.gov.uk/hmrc->

[internal-manuals/corporate-intangibles-research-and-development-manual/cird20035](#))) in the hands of A immediately before the transfer and in the hands of B immediately after the transfer;

- B must have been a member of the same group as A from the time of the transfer, or have become a member subsequently;
- B must leave the group after the transfer and before six years have elapsed from the date of the transfer; and
- The degrouping is not the result of a merger ([CIRD40580](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40580>)).

## Outcome

If, at the time it leaves the group, B, or an associated company ([CIRD40530](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40530>)), which also leaves the group at that time, holds the asset, then:

- B is treated as though it had realised and reacquired the asset for its market value, immediately after the asset was transferred to it;
- The taxable credit or deductible debit on the deemed realisation of the asset is calculated under the rules in [CIRD13210](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13210>) onwards;
- Its subsequent deductible debits (in particular for sums written off the asset - [CIRD12700](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12700>) onwards) and any taxable credits are revised on the basis that the asset was acquired at market value (rather than on tax-neutral terms); and
- The adjustments in both categories are then aggregated and a net taxable credit or

deductible debit brought into account as if it had arisen immediately before the transferee ceased to be a member of the group.

## The deemed realisation and acquisition

S780 involves what is specifically a deemed disposal and reacquisition. This deemed transaction does not re-characterise an asset as a new acquisition. S780 sets out the mechanism for computing the degrouping adjustment. It does not disturb any other effects of the preceding transfer between A and B being on tax neutral terms.

This is particularly relevant to fixed rate elections under s730. The time limit for making such an election is fixed by reference to the original acquisition date of the asset and once made is irrevocable, a deemed re-acquisition under s780 cannot alter this. For the same reason a degrouping event occurring on or after 8 July 2015 will not make goodwill, or some other relevant asset, an excluded asset under s816A if they were not already excluded prior to the tax neutral transfer.

## Classification of net credit or debit

The classification of the credit or debit as a trading etc matter (within [CIRD13520](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13520) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13520>)), or as a non- trading matter in its CT computation (see [CIRD13500](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13500) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13500>) onwards), is determined by the use to which the company put the asset immediately on acquisition. But where the asset was used for a trade, property business or other activity within [CIRD13520](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13520) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13520>) at that time and the

activity subsequently ceased (before the degrouping adjustment is triggered) the credit or debit should be brought to account as a 'non-trading' matter ([CIRD13530](https://www.gov.uk/hmrc-internal-manuals/cird13530) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13530>)).

## Further guidance

See:

- [CIRD40600](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40600) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40600>) for the case where A and B are not members of the same group at the time of the transfer.
- [CIRD40610](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40610) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40610>) for an example of the degrouping computation.

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