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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD30080 - Intangible assets: GAAP: conformity with: recourse to consolidated accounts

CTA09/PART8/S718

In determining whether GAAP has been properly applied, it is possible to have regard to any consolidated accounts drawn up in respect of the group of which the taxpayer company is a member. The provisions specifically permit reference to be made to any view taken of the useful life or economic value of an asset where

that view lies behind the treatment in the consolidated accounts.

The consolidated accounts, to which reference can be made for this purpose, need not have been prepared under GAAP. It is therefore possible to have regard to the view taken of the useful life or economic value of an asset reflected in the consolidated accounts of a foreign owned group even though they have to be prepared under the accounting practices of the group's home jurisdiction.

But the treatment of intangible assets in overseas consolidated accounts prepared under foreign law cannot be taken into consideration where the treatment substantially diverges from that under GAAP. An example of such a divergence would be a practice of not writing off goodwill to the profit and loss account over its expected useful life because it has to be amortised over a set period instead. In these circumstances the amortisation rate used in the overseas consolidated accounts would not affect the rate at which assets were written down for the purposes of CTA09/PART8.

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