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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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## CIRD45120 - Intangible assets: related party rules: statutory definition: comparison with 'connected person'

### Differences between 'related party' and 'connected person'

Much specific tax legislation draws on the concept of a 'connected person' defined in ITA07/S993 and CTA10/S1122 (and in similar terms for CG purpose in TCGA92/S286 (3) - see CG14580). This is necessarily a broad concept.

CTA09/PART8 is for the most part only concerned with CT and in some respects the width of the notion of a 'connected person' is inconsistent with the policy intention behind the intangibles code. Part 8 therefore relies instead on the notion of a 'related party'.

The notion of a related party diverges from that of a 'connected person' in the following chief respects:

- the circumstances in which a company and another person are regarded as under common control (and therefore linked) are more restricted,
- the circumstances in which non-close companies can be regarded as linked to each other and to other companies by virtue of being members of a partnership of such companies are restricted,
- two companies can be linked to one another, even though there is no relationship of control, if one holds a 'major interest' in the other.

On the other hand:

- the proposition that a participator in a close company is linked to the close company is retained,
- so (with one slight difference) is the definition of a close company,
- a modified version of the 'connected person' concept is used to in determining to what extent the interests in a company of one person can be attributed to another for the purpose of establishing control or a major interest.

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