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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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# CIRD20210 - Reinvestment relief: computation: old asset chargeable intangible asset: complete realisation of asset: proceeds fully reinvested CTA09/S758(2)

## General

Where the expenditure on the replacement assets is at least equal to the realisation proceeds of the old asset the amount available for reinvestment

relief is the excess of the proceeds over the cost recognised for tax purposes of the old asset.

The realisation proceeds for this purpose are as defined [CIRD13210 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13210\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13210), which is net of the incidental costs of realisation.

That cost of the asset is the capitalised expenditure on the asset that has been recognised for tax purposes (see [CIRD12720 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12720\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12720)). That amount is not reduced by any sums written off the asset under the rules described in [CIRD12700 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12700\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12700) onwards. But it is reduced by sums set off against the proceeds on any previous part realisations of the asset. See Example 3 in [CIRD20235 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20235\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20235).

## Asset not appearing in formal balance sheet

The fact that no formal balance sheet was drawn up during the period in which the asset was held does not prevent the acquisition cost from being regarded as capitalised expenditure for reinvestment relief purposes if, on the assumption that a balance sheet had been drawn up during that period, the asset would have appeared in it. Compare [CIRD20120 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20120\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20120) where replacement assets are realised before they can appear in a formal balance sheet.

## Example

Assume an asset is purchased for £100 and sold for £120 (net of incidental costs) when its tax value (and value in the accounts) is £30. There is a

realisation credit under CTA09/PART8 (see [CIRD13250 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13250\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13250)) of £90 (realisation proceeds £120 - tax written down value £30). Expenditure on replacement assets is £130.

Since that expenditure exceeds the realisation proceeds the amount available for relief is the amount by which the realisation proceeds (£120) exceeds the cost of the old asset (£100), which is £20.

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