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Corporate Intangibles Research and Development Manual

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CIRD10120 - Intangible assets: introduction: capital versus revenue distinction no longer crucial

Position for assets outside CTA09 rules

Under the general corporation tax code, capital expenditure is deductible only if specifically authorised. In the field of intangibles there are specific allowances for particular types of expenditure. For example a deduction was available for amortisation of sums spent on certain telecommunications rights and licences under

FA02/SCH23 - see [CIRD70000](https://www.gov.uk/hmrc-internal-manuals/cird70000)
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird70000>). And expenditure on some other types of intangible fixed assets qualifies for capital allowances. But there is no automatic allowance available for capital expenditure.

So for these assets one of the first questions to be asked for tax purposes is whether the expenditure is capital or revenue in nature.

Position for assets within CTA09 rules

The distinction for tax purposes between capital and revenue items is no longer of significance. Instead, in general, the tax rules follow the accounting treatment, and if expenditure on qualifying assets is written off, normally by way of amortisation, the appropriate deduction for tax follows, in line with the accounts treatment. Similarly, disposal proceeds on qualifying intangible assets, are brought into a revenue computation.

Because of the revenue character of the new intangible assets approach, the CG rules and the capital allowance rules cease to apply to assets within it.

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