

Beta This part of GOV.UK is being rebuilt – [find out what beta means \(/help/beta\)](#)

HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
([/government/organisations/hm-revenue-customs](#))

Published 11 March 2016

Updated: 10 September 2025 - [See all updates](#)

[Back to contents](#) > [CIRD200000](#) > [CIRD270000](#) > [CIRD274000](#)

CIRD274600 - Patent Box: Terms of the fraction: Acquisition of relevant qualifying IP rights CTA10/s357BLE. Interaction between CTA10 Part 8A and CTA09 Part 8 regarding the value of 'A'

This page is only relevant for considering the value of 'A' in the R&D Fraction where there are transfers between group members or related parties. This page considers how 'A' in the R&D Fraction is to be calculated in various

circumstances in relation to how CTA09 Part 8 applies and interacts with Part 8A CTA10.

[CIRD274500 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird274500\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird274500) explains the types of payments under s357BLE CTA10 that will fall to be included under 'A' in the R&D Fraction.

[CIRD240160 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird240160\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird240160) explains relevant IP losses and the inheritance of the R&D Fraction on when IP is acquired as part of a transfer of trade (or part of a trade).

1. Intra group Tax Neutral Transfers (s775 CTA09) and s357BLE CTA10

[CIRD40220 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40220\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40220) provides information on Tax Neutral Transfers under s775(1) CTA09. In summary however s775 provides that such intra-group transfers are to be treated as 'tax-neutral', and s776 includes the stipulation that "the original cost of the asset in the hands of the transferor is treated as the original cost in the hands of the transferee".

The provisions of s776 dealing with the consequences of intra-group transactions being designated as 'tax-neutral' are expressed to apply only for the purposes of CTA09 Part 8 and are not therefore relevant with regards to the value of 'A' in the R&D Fraction for the Patent Box. Where an intra-group transfer of relevant IP has occurred the acquisition expenditure actually incurred by the transferor is used unless there is a requirement to substitute Arm's Length Value under Transfer Pricing provisions (see below).

In summary, do not use the 'tax neutral' value in 'A' (as an acquisition cost in the R&D Fraction in the Patent Box calculation). If the actual expenditure is less than Arm's Length Value such that the company is at a tax advantage as a result of using

this amount as 'A' the Transfer Pricing provisions apply to substitute Arm's Length Value.

2. CTA09 s845 & 848 – The differences between intra group transfers and transfers between related parties (and Disapplication for Tax-Neutral Transfers): interaction with s357BLE CTA10

[CIRD45030 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45030\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45030) provides information on Transfers Between Related Parties, including intra group transfers and the Disapplication for Tax-Neutral Transfers.

Intra Group transfers

For the purposes of computing the value of 'A' in cases of intra group transfers of intangible assets s845 (use of Market Value) does not replace the value of 'A' as calculated in accordance with CTA10 s357BLE. This is because s848 expressly disapplies s845 when the 'tax neutral' provisions operate and is applicable 'for all purposes of the Taxes Acts' so also applies to Patent Box calculations.

Other Related Party transfers

Where the transfer of intangible assets is between related parties that are not group companies, such transfers are not 'tax-neutral' so consequently s848 does not disapply s845. Therefore, for the purposes of computing the value of 'A' it is necessary to substitute a notional Market Value as the value of 'A' in the R&D Fraction in the Patent Box calculation.

In Summary, Market Value should replace expenditure unless there is a 'tax-neutral' transfer. If the actual expenditure, or Market Value, is less than Arm's Length Value such that the company is at a tax advantage as a result of using this amount as 'A' the Transfer Pricing provisions apply to substitute Arm's Length Value.

3. CTA09 s849AB, s849AC & s849AD – Grant of Licence Between Related Parties.

CTA09 s849AB provides that, where a licence or other right in respect of an intangible asset is granted either by or to a related party, the consideration to be attributed to the licence grant in respect of the grantee (for all purposes of the Taxes Acts) is a notional value generally equivalent to market value as per CTA09 s.849AB.

Accordingly, for the purposes of computing the value of 'A' in the R&D Fraction where there has been a grant of a licence of intangible assets from a company to a related party it is necessary to calculate a notional Market Value and substitute that value in accordance with the legislation at Part 8 CTA09.

s849AB is subject to s849AC and s849AD for all purposes of the Taxes Acts, which includes s357BLE.

4. Transfer Pricing TIOPA10 Part 4 and CTA09 s846 and Disapplication of s845

S147 TIOPA 10 acts to apply Transfer Pricing principles to substitute an arm's length value where a company creates or increases a tax advantage by using other values. By using a lower value of 'A' within the R&D Fraction, any restriction to the Patent Box deduction would be reduced, creating such a tax advantage to that company.

The only disapplication of Transfer Pricing principles occurs under CTA09 s846 when the Market Value of the asset is greater than the amount of the consideration to be attributed to that transfer under TIOPA10 Part 4, in which case the Market Value is to be used.

There is no exemption for SMEs from this provision and unlike the Market Value rule there is no difference between transfers between related parties and group companies for whom the 'tax neutral' provision applies.

← **Previous page**
(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird274500)



OG

All content is available under the [Open Government Licence v3.0](#), except where otherwise stated



© [Crown copyright](#)