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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD40550 - Intangible assets: groups: degrouping: principal company becoming member of another group

CTA09/PART8/S785 - exception to degrouping adjustment rules

Background

In certain circumstances, such as its being acquired by another company, the principal

company of a group may itself become a member of another group.

If at any time the principal company of a group becomes a member of another group, the first group and the other group are regarded as the same. But this does not mean that every member of the target group necessarily becomes a member of the new enlarged group.

Take the case where the principal company X of one group becomes a member, but not a wholly owned subsidiary, of another group headed by principal company Y. Any company Z which was a member of X's group but is not an effective 51% subsidiary of Y will cease to be a member of a group for the purposes of CTA09/PART8. This is so, even though X's group and Y's group are deemed to be the same group.

Degrouping

The effect of the special rules that apply in this case is that there is no immediate degrouping adjustment on Z when Z leaves the X/Y group by virtue of X becoming a member of Y's group.

There may, however, be an equivalent charge at a later stage if Z ceases to satisfy the 'qualifying condition' that it is a relevant subsidiary of one or more companies in the group headed by company Y, see [CIRD40560 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40560\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40560).

For the purposes of this condition, a company P is a relevant subsidiary of another company Q if, but for sections 767 to 770 of CTA09, it would be a member of a group of which company Q would be the principal company.

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