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HMRC internal manual

Corporate Intangibles Research and Development Manual

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

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CIRD48010 - Intangible assets: avoidance: introduction

Purpose of legislation in CTA09/PART8

These provisions represent part of the Government's strategy to establish for the UK a modern business tax system that competes with the best in the world. In particular, the intention is that business should be encouraged to take advantage of new opportunities in the modern, knowledge-based economy by the provision of tax

relief for the cost of intellectual property, goodwill and other intangible assets.

Tax deductions for sums written off fixed assets

To that end, the legislation gives companies tax deductions for sums written off intangible assets in their accounts. This represents a significant departure from the approach generally adopted in our tax system for relieving capital expenditure, whereby deductions for the depreciation of assets are given at rates set out in statute. The approach of basing tax deductions on individual companies' accounting entries reflects the diverse nature of intangible assets and the wide variation in their economic lives in different business contexts. A system of statutory rates of relief could not cope easily with this degree of variation.

Inevitably, there will be cases where a company has paid a very large sum for certain intangible assets and the venture goes badly wrong. In such circumstances, the company will be compelled to write off against profits much of the capitalised value of the goodwill acquired on an impairment review (see [CIRD30550 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30550\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30550))).

It is an inherent feature of the approach described above that relief should be available against income for potentially very large capital losses of this kind.

Avoidance

By the same token, however, the approach of giving tax deductions based on a company's depreciation policies in respect of its intangible assets may create opportunities to take advantage of that and other features of the legislation in unacceptable ways.

Caseworkers need to be on their guard against such behaviour. In light of the specialist nature of the legislation, caseworkers should share information and uncertainties with colleagues in BAI whenever they feel it appropriate.

Lay-out of guidance

This section of the manual:

- outlines the defences inherent in the structure of the legislation against its exploitation ([CIRD48020 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48020\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48020)),
 - lists the rules described elsewhere in the manual which may inhibit certain specific types of avoidance ([CIRD48030 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48030\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48030)),
 - identifies more generally applicable rules intended to protect the Exchequer which are relevant to the legislation in CTA09/PART8 ([CIRD48040 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48040\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48040)),
 - provides guidance on the anti-avoidance rule in CTA09/PART8 itself aimed at tax-driven arrangements ([CIRD48105 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48105\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48105) onwards), and
 - outlines the legislative fixes introduced to counter specific avoidance arrangements (CIRD48200 onwards).
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