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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD12250 - Core computational rules: accounting: entries from which deductible debits derived: link between accounting entries and intangible assets within new rules

CTA09/PART8/S727 (1), (4)

Accounting entries relating to expenditure -
link to deductible debits

The accounting entries in respect of expenditure from which deductible debits may be derived relate to expenditure that is incurred for any of the following reasons:

- for the purpose of acquiring, creating, or establishing title to, an intangible asset within CTA09/PART8
- for the purpose of maintaining, preserving, enhancing or defending title to an intangible asset within CTA09/PART8
- by way of royalties for the use of an intangible asset within CTA09/PART8

Implications

The expenditure that falls within CTA09/PART8 is therefore defined widely and includes sums that would normally be of a revenue nature for tax purposes, as well as capital expenditure.

Particularly in the case of revenue expenditure for the purposes of a trade (or property business) the tax treatment under CTA09/PART8 and on general computational principles will normally be the same. So in these circumstances the question whether expenditure is for one of the purposes set out above (or whether it is a royalty) will largely be academic.

Expenditure for the purposes described above, for example on the creation or acquisition of an asset, falls within the statutory definition even if it turns out to be abortive.

Other rules

Expenditure on tangible assets can never meet the test described above, whatever the purpose for which it is incurred - see [CIRD12260](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12260) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12260>).

S727(4) provides that, where expenditure is incurred only partly as set out above, a just and reasonable apportionment may be made.

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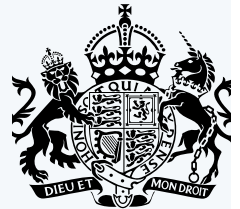
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