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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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## CIRD25130 - Intangible assets excluded from Schedule 29 as special tax rules apply: except as regards royalties: master versions of films and sound recordings

Finance Act 2006 (FA06) reformed the taxation of the film industry and introduced a new Film Tax Relief (FTR). These changes are effective from 1 January 2007. Consequential amendments were made to FA02/SCH29, which were subsequently consolidated in CTA09/PART8, and these changes are outlined below.

## **Periods prior to 1 January 2007 – CTA09/PART8/S812**

Expenditure on the production or acquisition of films and sound recordings are subject to special rules, which include provisions permitting the accelerated write-off for tax of films which meet certain qualifying conditions. See BIM56100 onwards. To preserve the effect of these rules assets of this nature are excluded from CTA09/PART8 (except as regards royalties).

As well as films, which qualify for the accelerated relief, the exclusion encompasses sound recordings and those films, which do not attract accelerated write-off.

The assets excluded also extend to master versions of audiotapes and discs brought within the special rules by ESC/B54.

S808 applies instead of S812 with effect from 1 January 2007.

Periods from 1 January 2007

CTA09/PART8/S808 – Assets representing production expenditure on films - effective from 1 January 2007

Intangible fixed assets held by a film production company representing production expenditure on a film that qualifies for the new FTR are excluded from CTA09/PART8. For details of the FTR rules see the guidance contained in the Film Production Company Manual (FPC) at FPC10000 onwards.

The main difference from 1 January 2007 is that the previous exclusion from the regime of the acquisition of a master version of a film no longer applies. Instead, the exclusion now only applies to production expenditure.

However, this exclusion does not apply where for example the production costs on intangible fixed assets either:

- do not qualify for the new FTR, or
- the company has opted out of the new FTR (see FPC10110)

Note that for the purposes of CTA09/PART8 the asset is still subject to other qualifying conditions and exclusions and the asset or expenditure may still be excluded for other reasons.

CTA09/S811 – Assets excluded except as regards royalties: sound recordings

This provision excludes expenditure on the production or acquisition of the master version of sound recordings. Unlike the treatment of films, no distinction is made between periods prior to 1 January 2007 and those subsequent to that date.

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