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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](#)

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CIRD10125 - Intangible assets: introduction: expenditure linked to assets and to non capitalised expenditure

The CTA09 regime applies to royalties paid for the use of intangible assets and to expenditure (including abortive expenditure) for the purpose of:

- acquiring, or creating, or establishing title to, the asset,
- maintaining, preserving, enhancing, or defending title to, the asset (including royalties for the use of the asset).

The absence of the capital/revenue test here is likely to considerably simplify questions of allowability for tax purposes. The subject is covered in more detail at [CIRD12250](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12250) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12250>).

It is not necessary for qualifying expenditure to be capitalised

To count as an 'intangible fixed asset' in relation to a company, the intangible asset has to be acquired or created by the company for use on a continuing basis in the course of the company's activities. Assets held for example as trading stock do not come within the CTA09 rules.

It is worth noting that so long as expenditure is on an intangible fixed asset there is no requirement for a tax deduction that it must be capitalised in the accounts. For example, it might be required for accountancy purposes that expenditure on developing a new magazine title should be written off as incurred, but, if the rights to use the title are an intangible fixed asset, the expenditure will still fall within the regime.

So the allowable deductions will consist both of sums properly written off to the profit and loss account as incurred, and sums in respect of capitalised assets that are charged to the profit and loss account in respect of amortisation or write down in the valuation.

Expenditure linked to tangible fixed assets

The regime does not apply to tangible fixed assets, or to rights over them. In some cases one price may be agreed for a combined purchase of both tangible and intangible assets. In such cases it may be necessary to carry out an allocation of the consideration to reflect the different elements.

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