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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD40580 - Intangible assets: groups: degrouping: exclusion of commercial mergers

CTA09/PART8/S789

Outline

There are no degrouping adjustments applicable where the transferee ceases to be part of a group as a result of a merger, and the merger is carried out for bona fide commercial reasons and where

the avoidance of liability to tax is not the main, or one of the main, purposes of the merger.

Mergers - definition

A merger is an arrangement or series of arrangements that satisfies all the following conditions:

- One or more companies (**the acquiring company' or** the acquiring companies'), none of which is a member of the A group acquires or acquire, otherwise than with a view to their disposal, one or more interests in the whole or part of the business which, before the arrangement took effect, was carried on by company A.
- One or more members of the A group acquires or acquire, otherwise than with a view to their disposal, one or more interests in the whole or part of the business or each of the businesses which, before the arrangement took effect, was carried on either by the acquiring company or companies (as used in the bullet point above) or by a company at least 90% of the ordinary share capital of which was beneficially owned by two or more acquiring companies.
- At least 25% by value of each of the interests acquired:
- by the acquiring company or companies in the company A business,
- by the A group in businesses carried on by the acquiring company or companies (or their 90% subsidiaries),

consists of a holding of ordinary share capital.

- The remainder of each interest acquired by the A group in businesses carried on by the acquiring company or companies (or their 90% subsidiaries) consists of a holding of share capital (of any description) or debentures, or both.

- The value of the interests acquired by the acquiring company or companies in the company A business is substantially the same as the value of the interests acquired by the A group in businesses carried on by the acquiring company or companies (or their 90% subsidiaries).
- The consideration for the acquisition of the interests acquired by the acquiring company or companies in the company A business (disregarding any part of the consideration which is small compared with the total) either consists of, or is applied in the acquisition of, the interests acquired by the A group in businesses carried on by the acquiring company or companies (or their 90% subsidiaries).

For the purposes of the first two conditions, a member of a group of companies is treated as carrying on as one business the activities of the entire group. The value of an interest is determined as at the date of its acquisition.

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