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HMRC internal manual

Corporate Intangibles Research and Development Manual

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[Back to contents](#) > [CIRD10000](#) > [CIRD48000](#)

CIRD48340 - Intangible assets: avoidance: FA18/S20: intangible asset realisation involving non-monetary receipts Background

As explained at [CIRD48320](#)
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48320>), an accounting step-up scheme seeks to take advantage of CTA09/S846 where that gave priority to transfer pricing adjustments under TIOPA10/PART4. F(2)A15/S42 amended

CTA09/S846 to counter such schemes in relation to transfers (see CIRD48330).

The FA18/S20 amendment to CTA09/S739 (proceeds of realisation) is a response to variants of this avoidance scheme. This amendment is summarised in the guidance below.

FA18 also introduced new legislation at S21 that extends the market value rules at CTA09/S845 to a licence granted between related parties. The new legislation is inserted into CTA09/PART8 at S849(AB)-(AD) and is explained at [CIRD48350 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48350\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48350).

New CTA09/S739(1A)

FA18/S20 amended CTA09/S739 to clarify what amounts are to be brought into account as proceeds of realisation for the purpose of computing a credit or debit under CTA09/CHAPTER 4 (Realisation of Intangible Fixed Assets).

CTA09/S739(1A) provides that where the consideration is wholly or partly non-monetary, the amount to be brought into account is the equivalent in cash to the thing received, based on its market value. For example; if an Intangible Fixed Asset is exchanged for shares, the proceeds of realisation is the market value of those shares.

The change is effective for transactions occurring on or after 22 November 2017, unless the realisation was in respect of an unconditional contractual obligation that existed before that date.

← **Previous page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48330)

→ **Next page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48350)



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