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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
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## CIRD20430 - Reinvestment relief: groups of companies: expenditure on shares of company which becomes group member: further rules

### CTA09/PART8/S779

Where the qualifying conditions described in [CIRD20420](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20420) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20420>) are satisfied, company A may treat its cost of acquiring the

shares in company B, for the purpose of reinvestment relief, as expenditure incurred at that time in acquiring the chargeable intangible assets held by B or by another company which becomes a member of A's group as a result of acquiring the shares.

### **Amount of deemed expenditure on chargeable intangible assets**

The amount of the deemed expenditure is the lesser of:

- the cost of acquiring the shares in company B, or
- the tax written down value of the chargeable intangible assets held by B or by another company which becomes a member of A's group as a result of acquiring the shares.

### **Adaptation of reinvestment relief rules**

The reinvestment relief rules apply to the deemed expenditure on new chargeable intangible assets in the same way as they apply to direct expenditure, subject to the following adaptation:

- the condition that the assets must be chargeable intangible assets (see [CIRD20035](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20035) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20035>)), immediately after their acquisition, in the hands of the company incurring the expenditure ([CIRD20130](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20130) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20130>)) is satisfied if they are such assets in the hands of the company which actually holds them,
- the tax written down value of those assets is reduced by the amount of reinvestment relief calculated under [CIRD20200](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20200) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20200>)).

[manual/cird20200](#)) onwards (see the examples in [CIRD20440](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20440>)),

- a company may allocate the reduction among its chargeable intangible assets as it sees fit,
- where more than one company hold the assets by reference to which relief is sought the allocation of the proceeds of realisation to the various assets is as agreed by the companies concerned,
- a joint claim has to be made by the company acquiring the shares (company A) and the company or companies holding the chargeable intangible assets.

## Points to note

1. Expenditure on the acquisition of shares may be used to defer CG on existing goodwill and intangible assets within [CIRD20050](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20050>), as well as taxable credits on the realisation of chargeable intangible assets.
2. The taxable credit or capital gain deferred by virtue of the expenditure may have arisen to company A itself or to an existing member of A's group where the group reinvestment relief provisions described in [CIRD20410](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20410>) are in point.
3. The relief is not restricted to take account of:
  - the fact that the interest acquired in company B or its subsidiaries may be less than 100%, nor
  - the fact that the cost of the shares acquired will normally reflect the existence of other underlying assets and liabilities.

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