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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD44250 - Intangible assets: Restrictions for goodwill and relevant assets: F2A15 realisations CTA09/PART 8/S816A (4)

As explained at CIRD44200; CTA09/S816A(3) restricts when and how relief for goodwill and relevant assets is given by withdrawing debit relief under CTA09/PART 8/Chapter 3. This means that the costs, for example acquisition costs, may not be relieved at the time the expenditure is incurred. These costs will instead be relieved at the point of

realisation by deducting the tax cost from the proceeds of realisation in accordance with the normal rules in CTA09/PART 8/Chapter 4 (see CIRD13200 onwards).

However, CTA09/S816A(4) imposes further conditions if a debit (loss) arises on realisation.

Debits on realisation of relevant asset

Any debit arising on realisation is treated as a non-trading debit. This condition limits how that debit can be utilised by the company.

How the condition applies to a non-trading debit

Non-trading debits and credits are brought into the CT computation in a way broadly similar to that adopted by the loan relationship rules. This means that the non-trading debit arising from a realisation of a relevant asset is first aggregated with other non-trading debits and credits. If the result is negative, i.e. there is a non-trading loss, the company may then:

- Set off the loss against the company's total profits for that accounting period ([CIRD13540](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13540))
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13540>)
- Surrender as group relief ([CIRD13550](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13550))
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13550>)
- In so far as the loss is not dealt with by one or more of the above methods, it is automatically carried forward to the next accounting period.

The effect of treating a debit arising from the realisation of a relevant asset as a non-trading debit, as opposed to a trading debit, is that the company cannot include the debit when

calculating trading losses. In particular this means the company cannot carry that debit back to previous accounting periods.

For more details about how the rules operate in relation to non-trading debits see [CIRD13530](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13530) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13530>) onwards.

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