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Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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Published 11 March 2016

Updated: 10 September 2025 - [See all updates](#)

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CIRD27030 - Leasing of intangible assets: lessees: scope

Lessees: whether asset within CTA09/PART8

As outlined in CIRD27020, in the hands of a lessee a leased asset appears on the lessee's balance sheet along with assets which the lessee owns outright. Like any other asset, it will come within the scope of CTA09/PART8 if:

- it satisfies the 'asset conditions' described in [CIRD11000](#) (<https://www.gov.uk/hmrc-internal->

[manuals/corporate-intangibles-research-and-development-manual/cird11000](#)) onwards,

- it does not come within the exclusions described in [CIRD25000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25000>) onwards, and
- it satisfies the time test described in [CIRD11500](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11500>) onwards.

These requirements are considered further below.

Asset conditions - points to note

1 - The accounting treatment of a leased asset in the hands of the lessee will not prevent the asset from being:

- a. an intangible asset within FRS102 s18 (or IAS38/FRS105 s13/FRS10) (see [CIRD11120](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11120>)),
- b. a fixed asset as defined in CTA09/PART8 (see [CIRD11170](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11170>)), nor, where relevant,
- c. intellectual property as defined in CTA09/PART8 - the statutory definition of 'intellectual property' specifically includes a licence (see [CIRD11150](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11150>)).

2 - The asset conditions do not include any requirement that an asset must legally be owned by the company in question.

3 - Nor does it matter whether the asset is within CTA09/PART8 in the hands of the lessor. For example, the lessor may have made an election to exclude computer software from the scope of

CTA09/PART8 ([CIRD25180](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25180)
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25180>)).

Exclusions

A leased intangible asset may be excluded from CTA09/PART8 in the hands of the lessee company under the rules described in [CIRD25000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25000)
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25000>) onwards in the same way as an asset owned outright by the company. But the fact the asset is leased does not in itself cause the asset to be excluded. In particular, it does not fall within the 'financial asset' exclusion ([CIRD25050](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25050)
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25050>)).

Time test

In applying this test it will be necessary to determine when the rights represented by the leased asset were acquired ([CIRD11505](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11505)
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11505>)). This will be when the expenditure on them is 'incurred' under the rules described in CIRD11690. Since lease rental payments would be deductible in computing income under the general CT rules, the expenditure is regarded as incurred when it is recognised for accountancy purposes (sub-paragraph 4 of [CIRD11690](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11690) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11690>)). That is when the leased asset is capitalised in the lessee's balance sheet in accordance with GAAP.

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