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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD47020 - Intangible assets: international issues: company becomes resident in UK or asset starts to be used in UK trade carried on through a permanent establishment in the UK

CTA09/S863

Circumstances where provision applies

This provision deals with two types of situation.

The first is where:

- a company becomes resident in the UK (on or after 1 April 2002),
- it holds goodwill or an intangible asset which was not held for the purposes of a UK trade carried on through a permanent establishment in the UK immediately beforehand, and
- that asset becomes a 'chargeable intangible asset' as a result.

The second is where:

- a company which is not resident in the UK holds goodwill or an intangible asset for purposes other than those of a trade it carries on through a permanent establishment in the UK,
- the asset begins to be used for the purposes of a UK trade carried on through a permanent establishment in the UK, and
- that asset becomes a 'chargeable intangible asset' as a result.

Treatment

For the purposes of CTA09/PART8 the company is regarded as acquiring the asset for its accounting value immediately after the asset enters the UK tax net; that is the net book value or carrying amount in the company's accounts. This rule is however subject to CTA09/S863A

CTA09/S863A

CTA09/S863A was inserted by FA19/S23 and applies where:

- CTA09/S863(1)(a) or (b) applies on or after 1 January 2020, and
- the company becomes subject to an EU exit charge in respect of the asset.

Where CTA09/S863A applies the company is regarded as having acquired the asset for its market value at the time it becomes a chargeable intangible asset.

Points to note

FA03/S153 (1) inserted the words 'permanent establishment' in place of the phrase 'branch or agency', which was used in the original legislation at FA02/SCHEDULE29/PARA110, and this change is effective for all accounting periods beginning on or after 1 January 2003.

An asset is a 'chargeable intangible asset' at any time if a gain on its disposal gives rise to a taxable credit under the rules described in [CIRD13500](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13500) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13500>) onwards (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>)). If therefore an asset fails the time test described in [CIRD11500](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11500) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11500>) onwards, for example because it was held by the company prior to 1 April 2002, it does not qualify as a chargeable intangible asset in its hands and therefore the treatment set out above does not apply.

The book value of the asset in question should be its value in accordance with UK generally accepted accounting practice (which may be different from the value shown in its accounts). If there is such a difference, the book value replaces the figure in the accounts.

Most internally generated goodwill and intangible assets cannot be capitalised and therefore have a book value of nil.

The effect of deeming the asset to be acquired when it enters the UK tax net makes it possible for a company to meet the requirement for

reinvestment relief purposes that the 'old asset' should be a chargeable intangible asset throughout the period the asset was held by it (CIRD20035).

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