

**Beta** This part of GOV.UK is being rebuilt – [find out what beta means \(/help/beta\)](#)

## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
([/government/organisations/hm-revenue-customs](#))

Published 11 March 2016

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

[Back to contents](#) > [CIRD10000](#) > [CIRD44000](#)

## CIRD44300 - Intangible assets: Restrictions for goodwill and relevant assets: FA15 rules for goodwill and relevant assets acquired on incorporation from a related party on or after 3 December 2014 – background to FA15 changes FA15/S26 {#}

## Background to the FA15 changes

‘Incorporation’ is the term that is often used to describe the transfer of a business from an individual, or partnership, to a company where the individual(s) retains an interest in the company.

Because there is a transfer of the business from one legal entity to another, e.g. from an individual to the individual’s company, the company may recognise purchased goodwill and other relevant intangible assets on the acquisition of the business. Purchased goodwill is normally recognised when consideration is paid for a business and the amount of the consideration exceeds the net fair value of the assets and liabilities acquired. For a further explanation of the different types of goodwill see [CIRD11070](https://www.gov.uk/hmrc-internal-manuals/cird11070) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11070>).

Prior to 3 December 2014, and subject to the FA02 rule (see [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), the company could obtain corporation tax deductions by setting the accounting or fixed rate debits against its profits. These deductions were available even though there may have been little or no economic change in ownership. For example; the individuals who previously carried on the business retains a participating interest in the company going forward.

These tax deductions are not available to the businesses that don’t incorporate. For example:

- Businesses who incorporate can recognise the goodwill that was internally-generated by the acquired business, as purchased goodwill, whereas those that don’t incorporate can’t;
- start-up businesses that have always been operated within a company cannot recognise the

value of their internally-generated assets and so cannot claim a tax deduction.

FA15/S26 introduced changes to CTA09/PART8 that removed the unfair tax advantage that was previously available on incorporation of a business.

## **Points to note**

The FA15 rules introduced between 3 December 2014 and 8 July 2015 do not affect third party business acquisitions. However, subsequent changes introduced by F2A15 on 8 July 2015 and by FA19 from 1 April 2019 amend the rules for relevant assets acquired or created after those dates, including those from unrelated parties.

The new rules only apply to transfers of goodwill and assets typically associated with goodwill (including unregistered trade marks). The new rules do not affect transfers of other types of intellectual property.

For incorporations of related party businesses occurring between 3 December 2014 and 7 July 2015 there are special rules to apportion expenditure on relevant assets where there are previous third party acquisition costs at the date of the transfer (see CIRD 44450).

Tax-neutral transfers of assets that are subject to the rules that existed before 8 July 2015 can continue to claim relief under those rules even if the tax-neutral transfer occurred after this date.

For more details on the changes introduced from 8 July 2015 see CIRD44100 onwards.

For more details on the FA19 rules introduced from 1 April 2019 see CIRD44055.

← **Previous page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44250)

→ **Next page**  
**(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44350)**



**OGI**

All content is available under the [Open Government Licence v3.0](#), except where otherwise stated



© Crown copyright