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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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

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## **CIRD20235 - Reinvestment relief: computation: old asset chargeable intangible asset: asset partly realised: remainder of asset realised after earlier part realisation: examples**

To illustrate the rules described in  
**CIRD20230**

### **Example 1**

Assume an asset with a cost for tax purposes of £100 is partly realised for £90 at a time when its accounting value immediately prior to the realisation was £50 and immediately afterwards £40.

The proceeds (£90) are less than the full original cost of the asset (£100) in this example; so no relief would be due under the rule described in [CIRD20220 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20220\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20220). But since there has only been a part realisation of the asset, the proceeds need only exceed a proportion of the cost of the asset. That proportion is arrived at by multiplying £100 (the full cost) by £10 (£50 - £40 - the reduction in accounting value) divided by £50 (the previous accounting value). The proportion of the cost of the realised asset to be taken into account on a reinvestment relief claim is therefore £20.

Subject therefore to the other conditions governing the relief:

- where the expenditure on new assets is at least £90 (the proceeds), full reinvestment relief will be due, or
- where the expenditure on replacement assets is less than £90 but more than £20, say £60, partial relief will be due. Thus the relief will be the difference between that expenditure (£60) and the cost of the part of the asset realised, as adjusted, (£20); that is £40.

## Example 2

Assume now that the asset remaining in the example above is partially realised for £60 at a time when its accounting value immediately before was £30 and that its accounting value afterwards was £15. The computation of the cost of the asset for the purpose of reinvestment relief is as follows.

The first stage is to reduce the full original cost of the asset (£100) by the proportion of that cost

referable to the previous part realisation that is by £20. So the original cost becomes £80 (£100 - £20). This reduction needs to be made whether reinvestment relief was granted on the earlier transaction or not.

The second stage is to calculate a proportion of the reduced original cost using the accounting values at the time of this second part realisation. So the revised original cost is multiplied by the reduction in the accounting value (£30 - £15) divided by the accounting value prior to the reduction (£30). That is  $\frac{£15}{£30} \times £80 = £40$ . Reinvestment relief is therefore available by reference to an original cost of £40 in a similar way to that in Example 1.

### Example 3

If the remainder of the asset in examples 1 and 2 is subsequently realised completely the cost of the asset for the purpose of reinvestment relief on that realisation is its original cost (£100) minus the aggregate of the amounts identified by the application of the formula on the two earlier part realisations. The reduction on the first part realisation was £20. That on the second was £40. So the cost of the asset for this purposes is  $£100 - (£20 + £40) = £40$ .

Again, the reduction is made regardless of whether reinvestment relief was granted on the earlier part realisations.

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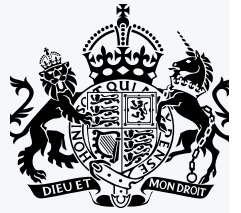
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