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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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CIRD44450 - Intangible assets: Restriction for goodwill and relevant assets acquired: FA15 third party acquisition rules

CTA09/S849B (7) - (9)

Third party acquisitions

The FA15 rules are only intended to restrict when relief is given for internally-generated relevant assets transferred to a related company. There are specific rules to apportion relief where there has

been a previous third party acquisition, for example where a sole trader or a firm has acquired a business from a third person prior to incorporation.

Identifying cases

Cases where there has been a previous third party acquisition can normally be identified by reviewing the pre-incorporation accounts of the sole trader or firm's business. If the accounts of the sole trader or firm report purchased goodwill on the balance sheet then this may be an indication that there has been a previous third party acquisition. Cases where there has been no previous third party acquisition, or where previous third party acquisition costs have already been written off prior to incorporation, will not be subject to the apportionment rule.

Review the relationship at the time of the previous acquisition

The relationship of the parties involved in that previous acquisition will need to be considered. A company may only recognise previous third party acquisition costs where the transferor (the individual or firm) has acquired a relevant asset as a result of an earlier transaction, and at the time of that earlier acquisition the following conditions are met:

- Where the person from whom the transferor acquired the asset is a company, the transferor is not related to that company, or
- Where the transferor is a firm, none of the individuals in that firm are related to the company, or
- Where the person from whom the transferor acquired the relevant assets is not a company, the transferor is not connected to that person, or
- Where the transferor is a firm, none of the individuals of that firm are connected to that person.

Note that an acquisition is not a third party acquisition if its main purpose, or one of its main purposes, is to allow any person to gain a tax advantage. For example, if the individual or firm transfers the relevant asset to an unrelated party intermediary before the related party company acquires the relevant asset, and the purpose of the transfer to the intermediary is to allow the company to obtain a tax advantage, that is not a third party acquisition.

See [CIRD45105 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45105\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45105) for the definition of a related party and [CIRD45190 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45190\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45190) for the definition of a connected person.

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