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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD27050 - Finance leasing of intangible assets: lessors: general

CTA09/PART8/S854 and SI2002/1967

Why special rules are needed

Unlike the position of finance lessees of intangible assets ([CIRD27030 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27030\)](#)), CTA09/PART8 would not apply to a finance leased asset in the hands of a finance lessor without modification. In

particular this is because such an asset is classified for accounting purposes as a 'financial asset' in the hands of the lessor and would therefore be excluded from CTA09/PART8 under the rule described in [CIRD25050](https://www.gov.uk/hmrc-internal-manuals/cird25050) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25050>). That classification follows from the treatment of the finance lessor as a provider of finance rather than the provider of an asset.

The special rules

S854 therefore sets out a regulation-making power to bring finance leased assets within CTA09/PART8 in the hands of lessors and to make special provision for them. These regulations are in SI2002/1967 and are reproduced in [CIRD27090](https://www.gov.uk/hmrc-internal-manuals/cird27090) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27090>).

The regulations:

- take effect from 1 April 2002;
- require an intangible asset to be brought within CTA09/PART8 in the hands of the finance lessor notwithstanding that it is regarded as a financial asset of the lessor under UK generally accepted accounting practice;
- make a number of exclusions from this requirement ([CIRD27060](https://www.gov.uk/hmrc-internal-manuals/cird27060) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27060>));
- modify the computational rules for assets brought within CTA09/PART8 in this way ([CIRD27070](https://www.gov.uk/hmrc-internal-manuals/cird27070) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27070>)); and
- provide special rules for the case where a company starts to finance lease an intangible asset, having previously used it for other purposes ([CIRD27080](https://www.gov.uk/hmrc-internal-manuals/cird27080) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27080>)).

[internal-manuals/corporate-intangibles-research-and-development-manual/cird27080](#))).

Definition of finance lease

A finance lease carries its meaning for accounting purposes (see [CIRD27020](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27020>)) and includes hire purchase, conditional sale, or other arrangements which have a similar character to a finance lease (and so are accounted for in the same way).

This definition is set out in S853(4) (formerly FA02/SCH29/PARA104 (4), to which the regulations refer).

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