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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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## CIRD44065 - Intangible assets: Restrictions for goodwill and relevant assets: Summary of when the restrictions apply

### Structure of CTA09/CHAPTER15A

The overall structure of CTA09/CHAPTER15A 'Debits in respect of goodwill and certain other assets' is to allow relief for the cost of 'relevant assets' at a fixed rate of 6.5% under Chapter 3 unless a restriction applies. As explained at

[CIRD44000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44000), these rules should be read within the framework and context of the wider CTA09/PART8 provisions. These rules therefore only apply to relevant assets that are within the scope of the CTA09/PART8 rules.

## **What restrictions can apply?**

CTA09/CHAPTER15A restrictions will apply in relation to relevant assets that are:

- Pre-FA 2019 assets
- Acquired other than as part of a business acquisition
- Acquired as part of a business acquisition but not together with qualifying IP
- Acquired at a cost exceeding 6 times the value of the qualifying IP assets acquired
- Acquired from a related individual or firm

Further details of the nature of restrictions are provided below.

## **CTA09/S879B**

### **Requirement to write down at a fixed rate**

CTA09/S879B(2) deems the company to have made a fixed rate election so that any debit relief computed under CTA09/PART8/CHAPTER 3 is computed by reference to CTA09/S731. But note the rate of 4% is adjusted to 6.5% by CTA09/S879B(3).

### **Identifying whether and what restriction applies**

CTA09/PART8/CHAPTER15A includes several different restrictions that could apply to relevant

assets. More than one restriction can apply but where there is a full restriction the partial restriction rules cannot also apply. Where no restriction applies relief under Chapter 3 is given at a fixed rate of 6.5%.

It is therefore necessary to consider whether any of the restrictions apply before calculating the debit relief. A summary of the full and partial restrictions is as follows:

- A full restriction for pre-FA 2019 relevant assets (see [CIRD44075 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44075\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44075) onwards)
- A full restriction where relevant assets are acquired and either no business or no qualifying IP is acquired (see [CIRD44080 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44080\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44080))
- A full restriction where a relevant asset is acquired from a related individual or firm where the third party acquisition condition is not met (see [CIRD44083 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44083\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44083))
- A partial restriction where the cost of the relevant assets acquired are more than 6 times the cost of qualifying IP assets (see [CIRD44086 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44086\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44086))
- A partial restriction in respect of certain acquisitions from a related individual or firm where the third party acquisition condition is met (see [CIRD44090 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44090\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44090)).

The nature of the full restriction is explained further on the next page ([CIRD44070 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44070\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44070)). The partial restriction rules are

explained from CIRD44093 onwards. Note that the full and partial restrictions are applicable to debits arising under:

- Chapter 3 - fixed rate debits
- Chapter 4 - realisations
- Chapter 15 - adjustments on change of accounting basis

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