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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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## CIRD45190 - Intangible assets: related party rules: definition of control: power to attribute interests of one person to another: 'connected persons'

### CTA09/PART8/S838 and S842 - 843

**Rights and powers to be attributed by virtue of 'connected person' test**

For the purposes set out in the first sub-paragraph of [CIRD45180](#) (<https://www.gov.uk/hmrc-internal->

[manuals/corporate-intangibles-research-and-development-manual/cird45180](#)) the rights and powers that may be attributed to a person (A) by virtue of the 'connected person' test are rights and powers that:

- are currently held by another person (B),
- B is currently entitled to acquire, or
- B will become entitled to acquire at some future date.

B may be either a person who is connected with:

- A, or
- another person (C) if C is connected with A.

But, if B is only connected to A via C in this way, it is not possible to attribute to A the rights and powers of other persons with whom B is connected.

### **Definition of 'connected person' - sections 842 and 843**

There are three types of connection outlined in s843.

Through family ties

A person (A) is connected with another person (B) if B is:

- the spouse or civil partner of A,
- a 'relative' of A (brother, sister, ancestor or lineal descendant),
- the spouse or civil partner of a relative of A,
- a relative of A's spouse or civil partner,
- the spouse or civil partner of a relative of A's spouse or civil partner.

As a trustee

A person, in the capacity of a trustee of a settlement, is connected with:

- any individual who is the 'settlor' of the settlement,
- a person connected (as defined in section 843) with the settlor,
- a body corporate connected with (see below) the settlement.

A settlement includes any disposition, trust, covenant, agreement, arrangement or transfer of assets (ITTOIA05/S620 (3)). A settlor is defined in similarly wide terms - see ITTOIA05/S620 (1)-(2) and TSEM4000 onwards.

A body corporate is connected with a settlement if it is:

- a close company (or would be a close company if it were resident in the UK), and
- has as its participators the trustees of the settlement.

A close company is as defined in CTA2010/S439. See CTM60100 onwards. A participator is as defined in CTA2010/S454 (see CTM60107), subject to the restriction described in [CIRD45250](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45250) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45250>).

By virtue of control or a major interest

A person is connected with a company if they are related parties by virtue of the first two tests described in [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>) (CTA09/S835 (2)-(3)).

## Points to note

1. If B is a 'connected person' of A by virtue of the above definition, then A is also to be regarded

as a 'connected person' of B.

2. In determining whether a person is connected with a company by virtue of control or a major interest a company is defined as any body corporate or unincorporated association (but not a partnership) and includes a unit trust scheme. See CTM00510 and CTM00520 for the meaning of these terms.
3. This definition of a 'connected person' is an adapted version of the general definition in CTA2010/S1122. In particular:
  - the definition of control in CTA2010/S1124, which applies for the purposes of CTA2010/S1122, is not applied,
  - the definition contains nothing equivalent to parts of CTA2010/S1122 (2), sub-section (4) - persons acting together, or to sub-sections (7) and (8) - partnerships.

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