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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD27035 - Leasing of intangible assets: lessees: computational consequences

Treatment of lessee's rentals etc

Where a leased asset comes within the rules in CTA09/PART8 in the hands of the lessee (see [CIRD27030 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27030\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird27030)):

1. sums written off the asset in the accounts will count as deductible debits in the same way as sums written off intangible assets owned

outright under the rules described in [CIRD12700](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12700) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12700>) onwards,

2. an election for writing down at the fixed (4%) rate may be possible instead ([CIRD12905](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12905) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12905>) onwards), and
3. that part of lease rentals classified as the finance charge or interest element (however described in the accounts) will count as deductible debits under the rules described in [CIRD12530](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12530) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12530>), and
4. any sums received in connection with the lease, for example rental rebates on termination, will count as taxable credits ([CIRD13020](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13020) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13020>)).

Points to note

1. The aggregate of the debits and credits identified above should be equal to total lease rentals paid less rebates etc.
2. The agreement may well be described as a licence and the payments under it as royalties but the accounting and tax consequences remain the same.
3. Under the general CT code, the tax consequences would be similar (except where an election for fixed rate relief is due), though the rationale for deducting sums written off the asset would be different.

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