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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
([/government/organisations/hm-revenue-customs](#))

Published 11 March 2016

Updated: 10 September 2025 - [See all updates](#)

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## CIRD27060 - Finance leasing of intangible assets: lessors: exclusions

### Circumstances where finance leased assets remain outside CTA09/PART8

A finance leased asset remains wholly outside CTA09/PART8 in the hands of the lessor if:

- the asset is one otherwise excluded except as regards royalties; or

- the lessee uses the asset for a trade or business in respect of which the lessee is within the charge to income tax; or
- the asset was previously held by a lessee company, or a related party of the lessee company, and was an 'existing asset' in its hands.

## **Assets excluded except as regards royalties**

The assets in question are those listed in [CIRD25110 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25110\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25110), namely those which are:

- held for the purposes of a life assurance business (except computer software),
- held for the purposes of a mutual trade or business,
- master versions of films or sound recordings, or
- computer software treated for accounting purposes as part of the related hardware.

If finance lease rentals in the form of royalties in respect of otherwise excluded assets were brought within CTA09/PART8 then only that part of the royalty representing interest on the financing would be recognised as a taxable credit under CTA09/PART8. But the lessor would remain entitled to any capital allowances available under the general CT code, for instance on computer software.

## **Lessee within charge to income tax**

If finance lessors were allowed to lease intangibles to lessees within the charge to income tax, the policy of confining the new rules to those within the charge to CT would be undermined. The lessee would be able to deduct its full rental payments but the lessor would not be taxed on the loan repayment element of the rentals. The lessee

would enjoy the benefit of this mismatch through reduced rental payments.

### **Asset previously held by lessee company etc or a related party of the lessee**

This provision is to ensure that a company within the charge to CT cannot circumvent the exclusion of 'existing assets' (see [CIRD11505](https://www.gov.uk/hmrc-internal-manuals/cird11505) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11505>) but, broadly, intangible fixed assets which fail the time test described in [CIRD11500](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11500) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11500>) onwards) from the regime by a sale and lease-back arrangement.

A 'related party' is defined at [CIRD45105](https://www.gov.uk/hmrc-internal-manuals/cird45105) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45105>) onwards.

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