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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD11070 - Intangible assets within CTA09/PART8: asset conditions: goodwill CTA09/PART8/S715

Definition

The statute provides that ‘goodwill’ carries the same meaning as it does ‘for accounting purposes’, i.e. the legislation follows the definition ascribed under ‘GAAP’. These terms are defined in CTA10/S1127 (see [CIRD30020](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate->

[intangibles-research-and-development-manual/cird30020](#))).

As a matter of accountancy, goodwill is simply the difference between the price at which a business changes hands and the aggregate value of the individual assets of that business after deducting the value of the liabilities taken over.

Internally-generated goodwill

“Goodwill” encompasses internally-generated goodwill. This was confirmed in the decision of *Greenbank Holidays Ltd v HMRC Commissioners* [2010] UK FTT 109 (TC) (“Greenbank”) and upheld by the Upper Tribunal in *Greenbank Holidays Ltd v HMRC Commissioners* [2011] UKUT B11 TCC.

FA09/S70 amended CTA09/S715 (3) to confirm that, for the purposes of the regime, goodwill includes internally-generated goodwill. CTA09/S715 (4) was added to confirm that, for the purposes of the regime, goodwill is treated as created in the course of carrying on the business in question.

These FA09 amendments merely clarified the position in relation to the pre FA09 legislation, which is that goodwill includes internally-generated goodwill; it did not change the rule. The FA09 amendments were confirmed as clarifications in the *Greenbank* decisions at the First-Tier and Upper Tribunals.

Consolidated goodwill

Where a company takes over a business by acquiring shares in the target company and the consideration given for the shares exceeds the ‘fair value’ ([CIRD12735 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12735\)](#)) of the net assets of the target company the excess is treated as goodwill in the consolidated group accounts.

Goodwill of this kind does not appear in any company-level balance sheet and is outside the scope of Part 8.

Terminology

As in the legislation itself, references to intangible assets in the part of this manual dealing with the rules in Part 8 should be read as including goodwill except where it is clear from the context that is not the case.

‘Negative goodwill’

The price of a business will usually exceed the net value of its assets and liabilities but that is not always the case. Where the aggregate value of the assets exceeds the price paid for the business the difference is known as ‘negative goodwill’. This is a credit entry in a company’s balance sheet.

Negative goodwill is not itself within Part 8 but sums written off negative goodwill may be taxable credits where, exceptionally, the negative goodwill is referable to intangible assets within Part 8 (see [CIRD13080 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13080\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13080)).

Application of statutory exclusions to goodwill

CTA09/S715 provides that Part 8 applies to goodwill ‘as it applies to an intangible fixed asset’. Goodwill could in principle therefore fall within the categories of excluded assets described at [CIRD25000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25000) onwards in relation to intangible fixed assets proper.

In practice, the following exclusions are most likely to be relevant to goodwill:

- CTA09/PART8/S803 (b) - assets held for the purpose of activities not within the charge to

corporation tax (see [CIRD25090](#)
(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25090>))

- CTA09/PART8/S810 (1) - assets held for the purpose of a mutual trade or business (see [CIRD25120](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25120>))
- CTA09/PART8/S902 (1) - assets held for the purpose of life assurance business (see [CIRD25115](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25115>))

FA15, F2A15 & FA19 debit relief rules in relation to goodwill and relevant assets

A number of rule changes have been introduced since 3 December 2014 in relation to goodwill and relevant assets. See [CIRD44000](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44000>) onwards.

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