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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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[Back to contents](#) > [CIRD10000](#) > [CIRD44000](#)

## CIRD44083 - Intangible assets: Restrictions for goodwill and relevant assets: Acquisitions from a related individual or firm

### CTA09/S879K

#### Acquisition from a related individual or firm

CTA09/S879K broadly reintroduces a similar restriction for acquisitions on or after 1 April 2019 to that which applies under CTA09/S849B for

acquisitions between 3 December 2014 and 7 July 2015. CTA09/S879K provides for a full restriction where:

- The company acquires a relevant asset directly or indirectly from an individual or firm on or after 1 April 2019,
- The related party condition is met, and
- The third party acquisition condition is not met.

The restriction applies to debits arising under Chapters 3, 4 and 15. For further details of the restrictions see [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 related party condition**

CTA09/S879K(2) describes when the related party condition is met. This is either where:

- The transferor is an individual and is a related party in relation to the company at the time of acquisition, or
- Where the transferor is a firm, any individual who is a member of the firm is related to the company at the time of acquisition.

### **The third party acquisition condition**

CTA09/S879K(3) describes the third party acquisition condition. This is met where:

- If the asset is goodwill, the transferor (the individual or firm) acquired all or part of the business to which that goodwill is attached, from one or more third party acquisitions, and
- the relevant asset (the goodwill) is acquired by the company as part of an acquisition of all the relevant business.

Or:

- In a case where the relevant asset is not goodwill, the transferor acquired the relevant asset in a third party acquisition, and
- the relevant asset is acquired by the company as part of an acquisition of all the relevant business.

See below for the definitions of “relevant business” and “third party acquisition”.

If the related party condition is met and the third party acquisition condition is not met, a full restriction will apply. This is expected to apply to most related party incorporations.

The exception, where the third party acquisition condition is met, is intended to deal with only those situations where an individual or firm has already recognised, or could have recognised, purchased goodwill or other relevant assets, in respect of an earlier third party acquisition. This exception will only apply if that relevant asset has or would have had some residual accounting value at the time of the transfer to the company. It does not include cases where the cost of the relevant asset has or would have been fully written off prior to the transfer. This policy mirrors that described in CIRD44450 in relation to CTA09/S849B.

## **CTA09/S879L**

### **Meaning of relevant business**

CTA09/S879L(2) defines relevant business by reference to the business, or part of a business, to which the relevant asset relates. For relevant assets other than a licence, that is; goodwill, customer information, customer relationships, and unregistered marks etc., the relevant business is the business to which those assets relate. For a licence the relevant business is the business to which the licensed assets relate.

## Meaning of third party acquisition (CTA09/S897L(3) and (4))

A ‘third party acquisition’ is defined by reference to the transferor’s acquisition. It is considering the relationship of the transferor and the vendor at the time of that earlier acquisition. It is a third party acquisition if:

- the transferor acquires something from a company (“C”) and either the transferor is not a related party in relation to C, or if the transferor is a firm, none of the members of the firm are related parties in relation to C, or
- the transferor acquires something from a person who is not a company (“P”) who is not connected with the transferor, or if the transferor is a firm, none of the members of the firm is connected with P.

Note that an acquisition is not a ‘third party acquisition’ if:

- its main purpose, or one of its main purposes, is for any person to obtain a tax advantage, or
- it occurs during the period 8 July 2015 to 31 March 2019

## Meaning of connected (CTA09/S879L(5))

‘Connected’ has the same meaning it has in Chapter 12 (see CTA09/S842).

## Points to note

If the third party acquisition condition is met CTA09/S879K will not apply and you will need to consider the partial restriction rules in CTA09/S879N instead (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>)).

← **Previous page**  
(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44080)

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→ **Next page**  
(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird44086)



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