

Beta This part of GOV.UK is being rebuilt – [find out what beta means \(/help/beta\)](#)

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](#)

[Back to contents](#) > [CIRD10000](#) > [CIRD12700](#)

CIRD12780 - Core computational rules: deductible debits: relief for capitalised expenditure on an intangible asset: accounts-based relief: market value acquisition of asset not on balance sheet CTA09/PART8/S857

Situations affected

This paragraph deals with the case where the following apply:

- a company is regarded as acquiring an intangible asset at market value for the purposes of Part 8
- the value of that asset in its accounts immediately after its acquisition is nil

A company is regarded under Part 8 as acquiring an intangible asset at market value where either of the following apply:

- the company acquires the asset from a 'related party' (see [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) onwards) and the exceptions to the market value rule do not apply (see [CIRD45030 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45030\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45030))
- the company is deemed to realise and re-acquire an asset under the degrouping rules in (see [CIRD40510 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40510\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40510))

The initial value of goodwill in the accounts of the company acquiring it will very often be nil where a business, whose goodwill has been internally generated by the transferor, is acquired at its book value. This is on the basis that GAAP accounting for goodwill and intangible assets will not have permitted the transferor to recognise the value of the goodwill as an asset on the balance sheet. In addition, either of the following must apply:

- GAAP accounting for acquisitions (see [CIRD12735 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12735\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12735)) has not been applied by the transferee
- GAAP accounting for acquisitions has been applied but the book value of the business (its cost to the transferee) does not exceed the

aggregate fair value of the individual assets and liabilities of the business

Provision

In these circumstances, tax relief for the deemed cost of the asset cannot be derived from any figures that actually appear in the accounts of the acquiring company. Instead, therefore, the computational rules are applied as if the accounting entries, on which the figures in the tax computation are based, are those that would have been made (in accordance with GAAP) if the asset had been transferred at market value.

If therefore the asset in question has a market value of £100 on acquisition and an expected useful life of ten years, the deductible debits for the amortisation of that asset would be £10 per year over that period. That is so long as no tax adjustments are necessary to the deemed acquisition cost - see [CIRD12720](#)

(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12720>).

As explained in [CIRD30090](#)

(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30090>), a range of possible estimates of the useful life of an asset may all fall within the ambit of GAAP.

← **Previous page**

([/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12775](#))

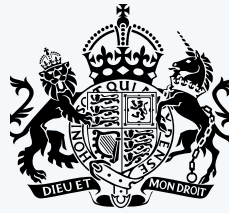
→ **Next page**

([/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12790](#))



OGL

All content is available under the [Open Government Licence v3.0](#), except where otherwise stated



© Crown copyright