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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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# CIRD42025 - Intangible assets: company reorganisations: transfer of business without consideration: conditions

## CTA09/PART8/S818

The conditions referred to in [CIRD42020](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird42020>) are as follows:

1 - The transfer should take place under a scheme of reconstruction (as defined in TCGA92/SCH5AA

- see CG52707).

2 - The scheme of reconstruction is entered into for bona fide commercial reasons and does not form part of a scheme or arrangements where the main purpose, or one of the main purposes, is avoidance of liability to Corporation Tax, Capital Gains Tax or Income Tax.

3 - There should be no consideration received by the transferor, other than an assumption of all or part of the debts of the business by the transferee.

4 - The transfer should not be an intra-group transfer to which CTA09/S775 applies (see [CIRD40250 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40250\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40250)).

5 - The intangible assets transferred must be 'chargeable intangible assets' ([CIRD20035 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20035\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20035)) immediately before and after the transfer in the hands of the respective companies. So, for example, a transfer of assets to a company outside the CT regime would not benefit from tax-neutral transfer terms.

6 - Neither the transferor nor the transferee is a friendly society (ICTA88/S461A, which still has effect by virtue of FA12/SCH19/PARA1) or a dual resident investing company (see CTM34560). This is because these types of company are subject to different CT treatment than that applicable to ordinary companies.

## Points to note

- The transfer of a business may well involve the transfer of chargeable intangible assets that are not in the balance sheet, in particular goodwill that has been internally generated (rather than purchased) by the transferor company.
- Where the conditions are satisfied, tax-neutral treatment is mandatory; the treatment is not one

that is the subject of a claim.

- Where the conditions are not satisfied, the realisation proceeds to be recognised for the transfer of the intangible asset will be determined in the normal way. That is either the actual consideration (see [CIRD13210](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13210) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13210>) onwards) or as determined under the rules described in [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>) onwards (market value etc).
- There is a provision for companies to seek advance clearance that the second condition above (the commercial purpose test) is satisfied. The Clearance and Counteraction Team deals with all statutory clearance applications and the procedure is described in [CIRD42100](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird42100) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird42100>).
- Where a company submits tax computations on the basis that tax-neutral treatment under CTA09/S818 is available and there is no record of a clearance application, HMRC officers should contact the Clearance and Counteraction Team at ([This content has been withheld because of exemptions in the Freedom of Information Act 2000](mailto:5899750@internal.hmrc.gov.uk)) ([http://mailto:5899750@internal.hmrc.gov.uk](mailto:5899750@internal.hmrc.gov.uk)).
- The CG restriction, which is equivalent to condition 6 above, extends also to investment companies and venture capital trusts, because they enjoy special CG tax treatments, but there are no such special treatments for these companies under CTA09/PART8.

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