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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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## CIRD25095 - Intangible assets excluded from CTA09/PART8: Assets for which capital allowances previously made CTA09/PART8/S804

This provision excludes intangible assets that were previously treated as tangible assets in the accounts of the company in the circumstances where capital allowances have also been provided. This could include cases where a company's accounting treatment changes in

relation to a service concession arrangement (SCA) or a PFI trade (see BIM64000 onwards).

CTA09/S804 only applies when all of the following three conditions are met:

- condition A is that the asset falls to be treated as an intangible asset in the accounts of the company,
- condition B is that in a previous set of accounts the asset, e.g. a SCA, was treated as a tangible asset in the accounts of the company, and
- condition C is that capital allowances have been made on the basis that asset was a tangible asset.

If the three conditions above are not met, the intangible asset is not excluded by CTA09/S804 but you will still need to ensure that the asset is not otherwise excluded.

## Example

A private sector operator enters into a contract (the SCA) to construct and maintain a public sector building for a fixed period. In return the operator receives an annual service payment, the unitary charge. The company initially accounted for the SCA under old UK GAAP, recognising the asset as a tangible asset under FRS5, and claimed capital allowances on the qualifying elements of the expenditure. On adoption of new UK GAAP the company amends its accounting policy, recognising the SCA as an intangible asset.

As the company previously accounted for the assets as a tangible asset, and claimed capital allowances on all or part of that asset, CTA09/S804 excludes the asset from CTA09/PART8. Note that the SCA is wholly excluded by PART8.

## Other intangible assets for which capital allowances have been claimed

It's important to note the different treatment under CTA09/S804 to other provisions within CTA09/PART8. Other types of intangible assets may also have received capital allowances under CAA2001 but if they weren't previously treated as tangible assets they are not excluded by CTA09/S804. Other types of intangible assets that could have received capital allowances include:

- computer software (CIRD25140)
- websites (CIRD25145)
- research and development (CIRD25160)

These cases are covered by specific rules that limit the application of CTA09/PART8 in relation to the expenditure on those assets. These rules prevent expenditure being relieved twice (see CIRD25140 onwards).

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