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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD20025 - Reinvestment relief: general matters and conditions to be satisfied: comparison with CG roll-over relief

Points of similarity and difference

Reinvestment relief is similar in some respects to CG roll-over relief on the disposal of goodwill or certain types of agricultural and fishing quota (CG60250 onwards). But there are also important differences.

Main points of similarity

1. both reliefs work by calculating an amount which reduces both the gain on the old asset and the reinvestment,
2. the proceeds from the sale of one asset can be reinvested in more than one replacement asset,
3. there is no requirement that the proceeds from the sale have to be tracked (through bank accounts etc) to the expenditure on the replacement assets,
4. the period allowed for reinvestment is similar,
5. partial relief is possible if the proceeds are not fully reinvested,
6. reinvestment by another member of the same group is treated as reinvestment by the company whose profit is to be deferred,
7. the procedural rules regarding provisional claims are similar.

Main points of difference

Under the reinvestment relief rules:

1. the relief applies to the realisation of goodwill and all intangible assets within CTA09/PART8 (not just goodwill and certain types of quota),
2. reinvestment in other (tangible) assets which currently qualify for CG roll-over purposes does not qualify,
3. the assets do not have to be used for the purposes of a trade,
4. profits on realisation cannot be rolled over to the extent that they represent the recovery of tax deductions for sums written off a capitalised asset,
5. profits rolled over are clawed back by restricting similar deductions for sums written off the new asset,

6. profits on the part realisation of an asset cannot be rolled over if the person acquiring the interest in the asset is a 'related party',
7. in limited circumstances relief is possible where the reinvestment is in the shares of another company and that company has an interest in assets within CTA09/PART8.

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