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Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD12300 - Core computational rules: accounting: change of accounting policy CTA09/PART8 /CHAPTER15

Where there is a change of accounting policy in drawing up a company's accounts from one period of account to the next, and both those accounts are drawn up in accordance with GAAP in relation to those periods then the provisions of Chapter 15 will apply.

No taxable credit or allowable debit is to be brought into account under Chapter 15 to the

extent that it is brought into account by CTA09/PART8/S723, S725 or S732.

Change in accounting value

When there is a change of accounting policy it is possible that there will be a difference between the accounting values recognised at the end of the earlier period and at the beginning of the later period for certain intangible fixed assets. An example of this would be where, on the first adoption of IAS (see [CIRD30020](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30020) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30020>)), International Accounting Standard IFRS1 causes an intangible fixed asset that had previously been systematically amortised to be recognised at cost.

Where such a difference arises CTA09/PART8/S872 treats an increase as a taxable credit, and a decrease as an allowable debit, arising at the start of the later accounting period.

The amount of the debit or credit is the difference multiplied by the fraction tax value/accounting value, where both these values are those at the end of the earlier period. CTA09/PART8/S872 (5) caps the amount of any credit to the net amount of previous debits on the asset less previous credits on the asset.

Primacy of other parts of CTA09/PART8

CTA09/PART8/S878 contains provisions to ensure that where all or part of the difference is brought into account under other sections of CTA09/PART8 that part is not brought into account again. The relevant other paragraphs are S723 (gain on revaluation [CIRD13050](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13050) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13050>)), S725 (reversal of accounting loss [CIRD13090](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13090) ([https://www.gov.uk/hmrc-internal-](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13090)

[manuals/corporate-intangibles-research-and-development-manual/cird13090](#))) and S732 (reversal of accounting gain [CIRD12560](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12560>)).

S872 does not apply to a chargeable intangible asset in respect of which a fixed rate election has been made under CTA09/PART8/S730 (see [CIRD12905](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12905>)).

(Prior to FA05, similar legislation was contained in FA02/SCH29/PARA116A. That paragraph was repealed by FA05, and replaced by FA02/SCH29/PART13A, which was subsequently rewritten in CTA09/PART8/CHAPTER15.)

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