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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
([/government/organisations/hm-revenue-customs](#))

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CIRD40705 - Intangible assets: groups: degrouping: reallocation between group members: candidates

CTA09/PART8/S792 - Reallocation of taxable credit on degrouping

Outline

S792 permits a full or partial reallocation of the taxable credit (see below) between group members. There is a provision for a joint election

to be made, subject to the companies being members of the 'relevant group' at the 'relevant time' (see [CIRD40710 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40710\)\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40710)). The result is that a charge that would have arisen on one company is, instead, regarded as arising on the other in the form of a non-trading credit ([CIRD13530 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13530\)\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13530) at the relevant time.

Amount which can be reallocated

The taxable credit is simply that arising on the deemed realisation of the asset at market value, the first element in the computation of the degrouping adjustment outlined in [CIRD40520 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40520\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40520). It follows that:

- no reallocation is possible if the deemed realisation gives rise to a deductible debit; and
- the further adjustments, which, in the absence of a reallocation election, would have been aggregated with the taxable credit on the deemed realisation, are not taken into account for reallocation purposes and stay with the company leaving the group.

Further condition

There is a further condition concerning residence of the company accepting the taxable credit on degrouping. If not resident at the relevant time, the company must have been carrying on a trade in the UK through a permanent establishment, and not be exempt from UK CT by virtue of the double taxation relief arrangements in TIOPA10/PART2. Where an election is made in these circumstances the taxable credit is regarded as income of the UK branch of the company to which it is reallocated.

(FA03/S153 (1) substituted the words ‘permanent establishment’ for ‘branch or agency’ effective for all accounting periods beginning on or after 1 January 2003.)

Exclusions

For the purposes of making the required election Y cannot be a dual resident investing company (CTM34560) or a tax-exempt friendly society.

Form of election

The required election must be made jointly, by notice in writing to HM Revenue & Customs, not more than 2 years after the end of the accounting period of company X within which the relevant time falls. The election must specify the amount of the gain to be reallocated.

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