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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD13260 - Core computational rules: realisation of assets: partial realisation CTA09/PART8/S737

On the part realisation (see [CIRD13230](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13230>)) of an intangible asset on the balance sheet the deduction for the tax written down value of the asset (or sometimes its cost) is limited to a proportion of what would have been deductible under [CIRD13250](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13250>)

[intangibles-research-and-development-manual/cird13250](#)) on a complete realisation. That proportion is calculated by reducing that amount in the ratio the reduction in the accounting value of the asset as a result of the realisation bears to the accounting value immediately prior to the realisation. The accounting value of an asset is its net book value - see [CIRD12770](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12770>).

1) No divergence between tax written down value and accounting value

In the simple case, where the tax written down value has not diverged from the accounting value, the effect of applying this formula ensures that the taxable credit or deductible debit is always equal to the profit or loss on sale recognised for accounting purposes.

Example

Assume that an asset with an accounting value of £1000 is partially realised for £750 and the accounting value of the part of the asset retained is £375. The profit on sale for accounting purposes is £125 (£750 - £625 [£1000 - £375]). In the case where the tax and accounting values prior to the realisation are the same the tax value of the asset to be set off against the proceeds of £750 is simply the accounting value of £1000 x £625 / £1000. That gives £625 to be set off against the £750 proceeds.

2) Divergence between tax written down value and accounting value

The effect of the formula where there is a divergence is illustrated below.

Example

If in the above example the tax written down value of the asset was, not £1000, but £800 the sum to be set off against the proceeds of £750 would be the tax value adjusted under the formula in the ratio which the reduction in the book value bears to the book value prior to the realisation. That is $£800 \times £625 / £1000$, which is £500, giving a taxable credit of £250.

Asset on balance sheet but not written down for tax

In this situation (see [CIRD13250](https://www.gov.uk/hmrc-internal-manuals/cird13250) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13250>)) simply substitute the tax cost of the asset ([CIRD12720](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12720) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12720>)) for the tax written down value to arrive at the proportion of the cost to be set against the net realisation proceeds.

Sums written off asset following part realisation

For the computation of the deductible debits for sums written off an asset following its part realisation, see:

- [CIRD12795](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12795) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12795>) - accounts-based deductions
- [CIRD12920](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12920) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12920>) - fixed-rate deductions

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