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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD42050 - Intangible assets: company reorganisations: transfer of foreign permanent establishment from UK to a non resident company: when deferral ceases

When does deferral under CTA09/PART8/S827 cease?

The aggregate of the deferred credits calculated in [CIRD42045 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-)

[development-manual/cird42045](#)) (the ‘total deferred gain’), or an appropriate proportion of this amount is assessable as a taxable credit when:

- there is a disposal at any time of the shares or loan stock received by the transferor company; or
- the non-UK resident transferee company realises the underlying intangible assets of the permanent establishment within six years of the transfer.

There are, however, further deferral provisions if the disposal of shares or loan stock is made within the terms of TCGA92/S171, or if the intangible fixed assets are disposed of to a member of the same group. These further deferrals are dealt with at [CIRD42055 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird42055\)](#).

Disposal of shares or loan stock by transferor company

If the transferor company at any time disposes of any of its shares or loan stock in the non-UK resident transferee company, paragraph 86 (4) requires the transferor to bring into account a taxable credit, on that disposal, of the whole (or the appropriate proportion) of the aggregate deferred gain, so far as not previously brought into charge. For this purpose, the appropriate proportion means the proportion that the market value of the shares or loan stock disposed of bears to the market value of all the shares and loan stock held immediately before the disposal.

The market value of the total holding is the combined market value of all the shares and loan stock in the non-UK resident transferee company held immediately before the disposal. It is accordingly necessary to include not only the shares or loan stock received as consideration for the transfer of the permanent establishment, but also any other shares or loan stock in the

transferee company, whether acquired before or after the transfer of the permanent establishment.

Disposal of intangible asset by overseas company

If, within six years of the transfer of the assets of the permanent establishment, the transferee company realises any of the assets on which a taxable credit was deferred, a taxable credit is deemed to arise to the transferor company under S829(3) equal to the appropriate proportion of the aggregate deferred gain so far as not already brought into charge.

For this purpose the appropriate proportion means the proportion which the taxable credits, taken into account in arriving at the aggregate deferred gain and relating to the assets disposed of, bears to the total taxable credits so taken into account relating to the intangible fixed assets of the permanent establishment held immediately before the disposal.

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

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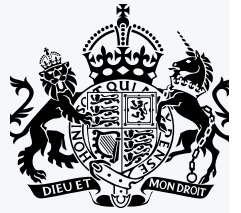
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