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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
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## CIRD70415 - Telecommunications licences and rights: revaluations

If:

- a licence or right to which the rules apply should be revalued,
- an amount relating to the revaluation should be taken in account for accounting purposes, and
- that is in accordance with GAAP,

then that amount is treated as a revenue item for tax purposes.

It does not matter:

- whether the amount should be taken into account by either being credited or debited in the profit and loss account, or by being taken to the balance sheet or reserves, or
- whether the amount is actually taken into account in any statutory accounts.

The amount is taken into account for tax purposes in the period of account in which it would be recognised for accounting purposes in accordance with GAAP.

To find out more about accounting practice and revaluations see [CIRD30580](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30580) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30580>).

## Example

On 1 January 2001 Cerentola and Partners (a firm) acquires an IRU for £20 million. For six years the cost is amortised at £1 million a year. However, at 31 December 2007 the IRU is revalued at £20 million (with £6 million being taken to reserves) and then amortised at £1.538 million a year for 13 years. Assume that the IRU is an asset with a readily ascertainable market value and this is all in accordance with GAAP.

Without the special rule the firm would obtain relief of £26 million [ $(£1 \text{ million} \times 6) + (£1.538 \text{ million} \times 13)$ ] on expenditure of only £20 million. By treating the £6 million on revaluation as a revenue item and subjecting it to tax in the year ended 31 December 2007 the special rules ensures that net relief of only £20 million is obtained.

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