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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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[Back to contents](#) > [CIRD10000](#) > [CIRD20400](#)

# CIRD20420 - Reinvestment relief: groups of companies: expenditure on shares of company which becomes group member: qualifying conditions

## CTA09/PART8/S778 AND S779

### Introduction

Under the general reinvestment relief rules expenditure on new intangible assets can only be taken into account for reinvestment relief if the

expenditure is incurred directly on those assets. Under CTA09/S778, however, it is possible to take account of expenditure that can be regarded as incurred indirectly on such assets.

In broad outline, where the acquisition cost of shares in a company reflects the value of intangible assets held by that company or a subsidiary, that cost may be taken into account for reinvestment relief. The effect is to reduce the gain in question and the tax written down value of those intangible assets by the same amount. This is subject to the qualifying conditions described below and the further rules in [CIRD20430](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20430) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20430>).

This relief is available whether the gain for which relief is sought arises on the realisation of 'chargeable intangible assets' ([CIRD20035](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20035) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20035>)) or on the disposal of existing goodwill or intangible assets within the CG code ([CIRD20050](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20050) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20050>)).

## Qualifying conditions

The qualifying conditions are satisfied where:

- a company ('company A') acquires shares in a company ('company B') which was not previously a member of the acquirer's group (as defined in [CIRD40030](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40030) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40030>)), and
- by virtue of the acquisition company B becomes a member of the same group as A, and
- immediately before the transaction either:
  - company B holds 'chargeable intangible assets' ([CIRD20035](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20035)), or

- another company holds such assets (normally a subsidiary of B) and that company also becomes a member of A's group as a result of the transaction.

← **Previous page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20410)

→ **Next page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20430)



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