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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
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## CIRD70405 - Telecommunications licences and rights: how the legislation works: expenditure on acquisitions

When a taxpayer acquires a licence or right to which the rules apply the expenditure will be treated as a revenue item if:

- it may be debited in calculating the profit or loss for accounting purposes,
- this is in accordance with GAAP, and

- this is how it has been debited in any statutory accounts of the taxpayer.

## Example

On 1 January 2001 Ancona Ltd acquires a wireless telegraphy licence in an auction for £20 million. In its statutory accounts it amortises the expenditure at £1 million a year. Assume that this is in accordance with GAAP.

In the year ended 31 December 2001 £1 million will have been debited in calculating the company's profit for accounting purposes. Therefore, Ancona Ltd will be treated as having incurred revenue expenditure of £1 million in the year ended 31 December 2001.

If Ancona Ltd is a trading company and the expenditure has been incurred wholly and exclusively for the purposes of its trade then it will be entitled to a deduction of £1 million in computing its trading profits for the year ended 31 December 2001. For non-traders see [CIRD70420](https://www.gov.uk/hmrc-internal-manuals/cird70420) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird70420>).

## Meaning of 'acquisition'

For the purposes of FA00/SCH23, 'acquisition' also includes:

- The extension of rights attached to an existing right.
- The cancellation or restriction of derivative rights to which a right is subject.

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