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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD48330 - Intangible assets: avoidance: measure in F(2)A15/S42: accounting step-up schemes involving transfers CTA09/PART8/S846(1A)-(1C)

As explained at [CIRD48320](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird48320>), an accounting step-up scheme seeks to take advantage of CTA09/S846 and the priority it gives to transfer pricing under TIOPA10/PART4. Where for example an intangible

asset is transferred at net book value (nil) it may be that no TIOPA10/PART4 adjustment is required. This is either because the provision confers no tax advantage, or the provision is arms-length and no adjustment is required. In those circumstances CTA09/S846(1) disapplied the market value rule.

The amendments made to CTA09/S846 by F(2)A15/S42 include the insertion of new subsections (1A) – (1C). Broadly these amendments allow the market value to be considered alongside any adjustment to arm's length required by TIOPA10/PART4.

CTA09/S846(1B) is the main provision introduced by F(2)A15/S42. It provides that where an asset is transferred between related parties and the market value amount under CTA09/S845 is higher than the arm's length amount under TIOPA10/PART4, the difference is brought into account. This retains the integrity of the market value principle where the TIOPA10/PART4 adjustment fails to bring in the full market value.

Note that where a TIOPA10/PART4 adjustment is made, it is only the difference between the market value and the TIOPA10/PART4 amount that is brought into account by CTA09/S846(1B). This means that two adjustments may be required; one under the TIOPA10/PART4 rules and one under CTA09/S846(1B).

Example

The 'recognised' proceeds on the disposal of an intangible asset might be £50. The 'arm's length' provision under TIOPA10/PART4 is £200 but the market value is £300. The total adjustments are £250. The amount to be brought into account under CTA09/S846(1B) would be the difference (£100) as summarised below:

- £150 under TIOPA10/PART4, and
- £100 under CTA09/S846(1B).

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