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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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## CIRD11170 - Intangible assets within CTA09/PART8: asset conditions: requirement that asset must be fixed CTA09/PART8/S713

As outlined in [CIRD11100 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11100\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11100) there is a general condition that only intangible assets that are fixed can come within CTA09/PART 8. CTA09/S713 defines such an intangible fixed asset held by a

company as one that is acquired or created by it for use on a continuing basis in the course of its activities. (Whether a particular intangible fixed asset comes within the regime will depend on the application of other provisions defining the scope of the regime, including chapters 10 and 16 of Part 8.)

Examples of assets that might not meet the CTA09/S713 definition include cryptoassets (including exchange tokens) and carbon credits. These types of assets may be held by a company to pay for goods or services, or to allow a company to offset their carbon emissions, but that doesn't mean the assets are used on a continuing basis – they are held and then redeemed or 'used up', or retained for when needed. This can be contrasted with, for example, trade marks, patents, and design rights which are exploited by a company to generate profits. Thus it is important to ensure that an intangible asset isn't just held or used up and was in fact 'acquired or created by the company for use on a continuing basis in the course of the company's activities'.

(More information about cryptoassets can be found in CRYPTO10000 and CRYPTO41150.)

An asset which is acquired or created for use in this way remains a fixed asset even if the purpose for which it is held changes, for example because the company decides to sell an asset or ceases to use it at all.

## Link with accounting practice

The definition in CTA09/S713 is similar in all essential respects to the notion of a fixed asset as a matter of accountancy. It should be noted however that intangible assets within the scope of

FRS102 s18, IAS38 and FRS105 s13 do not necessarily have to be fixed assets although this is not true for assets within the scope of FRS10. The definition makes the point clear on the face of the legislation: only intellectual property and other intangible assets that are fixed come within CTA09/PART 8.

## **Assets which do not appear as fixed assets on balance sheet**

CTA09/PART8/S713(3) puts beyond doubt that an asset does not have to appear on a company's balance sheet to make it a fixed asset. Most internally generated fixed assets cannot be capitalised in this way. Similarly, a licence acquired to exploit an intangible asset on a continuing basis will be a fixed asset even though it is not capitalised in the accounts (where no lump sum is paid for the licence and the consideration given wholly takes the form of royalties).

On the other hand, assets acquired as dealing or trading stock do not satisfy the definition. Nor does pre-paid expenditure.

## **Link with capital status for tax purposes**

More generally, while it can be assumed that intangible assets which are capital for tax purposes (applying the tests developed by case-law) will count as fixed assets under the definition described above, an asset which is held on revenue account under those tests may well be a fixed asset under the definition.

## Exception

There is an exception to the requirement that intangible assets need to be ‘fixed’ in relation to options to acquire or dispose of intangible fixed assets (see [CIRD11175 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11175\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird11175)).

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