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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD10240 - Intangible assets: introduction: valuation issues

Where the value of assets needs to be considered

Within the regime there are times when the valuation of chargeable intangible assets, or the amount charged for the use of chargeable intangible assets, needs to be considered, for example:

- Attribution of fair values to assets on acquisition in accordance with GAAP.
- Impairment reviews in accordance with GAAP, (see [CIRD30550 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30550\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird30550)).
- When market value is imposed on transfers between related parties, (see [CIRD45030 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45030\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird45030)).
- When an asset ceases to be a chargeable intangible asset, (see [CIRD47030 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird47030\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird47030)).
- Where apportionments are required, (see [CIRD49000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird49000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird49000)).
- Where there are transfer-pricing considerations, (see [CIRD47060 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird47060\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird47060)).
- When a degrouping adjustment arises, (see [CIRD40500 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40500\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird40500) onwards).
- When a restriction is required under CTA09/PART8/CHAPTER16A, (see [CIRD46000 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird46000\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird46000) onwards).

For questions of accountancy refer to an HMRC Advisory Accountant. For questions of transfer pricing refer to Business, Assets and International (BAI) - Transfer Pricing. The Intellectual Property Team within BAI - Assets, Residence and Valuation (AR&V) is also available to provide advice, support and service during both the initial risk assessment process and the working of any related enquiries.

When seeking valuation advice from AR&V you should provide clear instructions on the basis of

valuation. For example whether the valuation is to support a fair value exercise for accounting purposes, a market value, an arms-length price etc. Clearly explain what valuation basis is required.

You may need to request more than one valuation depending on the purpose of the valuation. For example, it is possible that you may need to establish the fair value of an asset in order to establish the accounts are GAAP compliant but you may also need to establish the market value or arms-length price if there is a statutory basis that requires an adjustment to be made, such as when a business has been acquired from a related party.

The complicated nature of intangible asset transactions means that a variety of specialisms may be called upon in the working of any issues arising and that areas of overlap are going to occur. In order to underpin a co-ordinated approach that achieves robust risk assessment and consistency of approach, there will often be the need for issues to be considered between AR&V, BAI - Transfer Pricing etc., working together.

HMRC staff will find telephone contact numbers for the Intellectual Property Team on the AR&V intranet site. They will be happy to discuss any issues, including valuation models, prior to a referral. They will also provide informal valuations at the risk assessment stage or during the working of a case. However a good valuation depends on accurate and detailed information.

Examples of useful information are:

- a full description of the product line or business, together where relevant with details of the filing of Patents and Trade Marks, and an assessment as to the contribution those and other intangibles make to the overall success of the enterprise;
- the accounts for the last three years before the date of valuation for the entity that held the

asset;

- the management accounts and other financial information that provide the historic and forecast sales/profit figures relevant to the asset, and insight into other issues such as R&D, marketing, and advertising expenditure;
- copies of any internal reports concerning feasibility, funding and expenditure programmes;
- copies of all relevant sale and licensing agreements;
- a reasoned explanation as to the value returned or royalty rate adopted - ideally to follow good valuation practice more than one approach or methodology will have been used in order to benchmark the proposals made;
- copies of any transfer pricing reports.

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