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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
([/government/organisations/hm-revenue-customs](#))

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[Back to contents](#) > [CIRD10000](#) > [CIRD12700](#)

CIRD12795 - Core computational rules: deductible debits: relief for capitalised expenditure on an intangible asset: accounts-based relief: part realisation of asset

CTA09/PART8/S744

The tax written down value of an asset used in the computation of deductible debits for the amortisation or impairment of an asset under [CIRD12770](https://www.gov.uk/hmrc-internal-CIRD12770) ([https://www.gov.uk/hmrc-internal-](https://www.gov.uk/hmrc-internal-CIRD12770)

[manuals/corporate-intangibles-research-and-development-manual/cird12770](#)) is reduced following the part realisation of an asset to a proportion of that value. That proportion is calculated by reducing the tax written down value in the ratio that the new accounting value of the asset as a result of the part realisation bears to the previous accounting value.

1) Tax written down value is the same as the accounting value of asset

In the simple case, where the tax written down value has not diverged from the accounting value, the effect of applying this formula ensures that the tax written down value and the accounting value remain the same after the part realisation.

Example

Assume that an asset with an accounting value (and tax written down value) of £1000 is partially realised for £750 and the accounting value of the part of the asset retained is £375.

The tax written down value of £1000 is adjusted in the ratio that the new accounting value (£375) bears to the previous accounting value (£1000). That is $£1000 \times £375 / £1000 = £375$.

2) Divergence between tax written down value and accounting value

The effect of the formula where there is a divergence is illustrated below.

Example

Assume that in the above example the tax written down value of the asset was £800.

The tax written down value of £800 is again adjusted in the ratio that the new accounting value

(£375) bears to the previous accounting value (£1000). That is $£800 \times £375 / £1000 = £300$.

Link to calculation of sums to be set off against proceeds on part realisation

The reduction in the tax written down value is always equal to the amount set against the net proceeds on the part realisation (see [CIRD13260 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13260\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13260)).

← Previous page

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12790)

→ Next page

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12905)



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