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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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CIRD42045 - Intangible assets: company reorganisations: transfer of foreign permanent establishment from UK to a non resident company: amount of charge deferred

CTA09/PART8/S827

The following process arrives at the amount of the taxable credit in CIRD42040 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird42040) that can be deferred:

- First it is necessary, on an intangible fixed asset-by-asset basis, to identify those relevant assets where the proceeds of realisation exceed the tax cost. Credits representing the difference between the tax cost of the asset and its book value in the accounts cannot be deferred.
- Then the transferor company has to claim on an asset-by-asset basis which of the resulting taxable credits will be deferred.

The extent to which each of these credits are deferred depends on the consideration received by the transferor company in respect of the transfer:

- Where the shares, or shares and loan stock, issued by the transferee company are the whole of the consideration, then the whole of the credit on the transfer is ‘the deferred credit’.
- Where the shares, or shares and loan stock, issued by the transferee company are only part of the consideration, then only a proportion of the credit on the transfer is deferred. The remainder is treated as arising at the time of the transfer and is taxed accordingly on the transferor company.

The proportion of each credit treated as deferred is the proportion that the market value, at the time of the transfer, of the shares and loan stock received by the transferor company bears to the market value of the whole of the consideration received bythe transferor company. For this purpose the consideration does not include liabilities of the business that are taken over by the transferee company.

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