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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD12760 - Core computational rules: deductible debits: relief for capitalised expenditure on an intangible asset: accounts-based relief: where tax and accounting values diverge: period expenditure first capitalised CTA09/PART8/S729 (3)

Where the tax cost of an asset has diverged from its accounting cost (see [CIRD12720](#))

(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12720>) the deduction for the period in which expenditure on the asset is first capitalised is calculated by adjusting the accounting charge for amortisation or impairment in the ratio which the tax cost bears to the accounting cost of the asset.

The most common circumstances in which the cost of any asset for tax purposes and the amount capitalised for accounting purposes may diverge is where the cost of the asset for tax is adjusted for valuation purposes (see CIRD10240) or the cost is reduced by reinvestment relief under CTA09/PART8/CHAPTER7 (see [CIRD20000](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20000) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird20000>)). In these circumstances, the debit for tax will be reduced pro rata.

Example

For example, an asset is acquired at a capitalised cost of £1000 in the accounts. For tax that cost is reduced by £200 to £800, as a result of a reinvestment relief claim on the disposal of another asset. The amortisation charge for the period of acquisition is £100.

To calculate the deductible debit under CTA09/PART8 the charge of £100 in the accounts for the period of acquisition is multiplied by £800 / £1000 to give an answer of £80.

Exception

This formulaic approach would prevent any tax relief being given where an asset is acquired with an accounting cost of nil even though the asset's tax cost may be some positive figure. See [CIRD12780](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12780) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12780>) for the special rule to deal with this situation.

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