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HMRC internal manual

Corporate Intangibles Research and Development Manual

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

Published 11 March 2016

Updated: 10 September 2025 - [See all updates](#)

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CIRD25120 - Intangible assets excluded from CTA09/PART8 as special tax rules apply: except as regards royalties: assets held for mutual trade or business

CTA09/PART8/S810

Background

In accordance with case law, profits and losses of a mutual trade are excluded from the computation of income for CT (see CTM40950 onwards). But

capital assets of a mutual trade, including intangible fixed assets and goodwill, remain within the CG code. These assets could have been excluded altogether from the scope of CT had they been brought into an income regime by virtue of CTA09/PART8.

Effect of provision

S810 ensures that the status quo is preserved. Capital assets remain subject to the CG rules. And both incoming and outgoing royalties arising in the course of a mutual trade remain income matters, falling within the case law exclusion for mutual profits.

Since the income from mutual life assurance business is already within the charge to CT, it is outside S810 and therefore subject to the separate exclusion in S902 (see [CIRD25115](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25115) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird25115>)).

Mutual property business

The rule in S810 extends to a mutual 'business' as well as a mutual 'trade' and therefore in terms could apply to a mutual property business giving rise to taxable property income. But ITTOIA05/S321 requires the profits of a mutual property business to be computed as if the relationship of mutuality between the parties to the business did not exist. The goodwill and intangible fixed assets of such a business therefore fall within CTA09/PART8 in the ordinary way.

Asset ceases or begins to be held for mutual trade or business

CTA09/PART8/S859 AND S860 make special provision for the case where goodwill or intangible fixed assets cease or begin to be held for a mutual trade or business. See [CIRD12745](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12745)

(<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12745>) and [CIRD13270](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13270) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13270>).

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