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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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Published 11 March 2016

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

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CIRD44070 - Intangible assets: Restrictions for goodwill and relevant assets: Nature of full restriction

This page focuses on the nature of the full restriction which is provided by

- CTA09/S879C – in relation to pre-FA 2019 relevant assets
- CTA09/S879I – in relation to acquisitions of relevant asset acquired where no business is acquired and/or no qualifying IP is acquired, and

- CTA09/S879K – in relation to acquisitions from a related individual, or firm, where the third party acquisition condition is not met.

The full restriction prohibits all debit relief under CTA09/PART8/CHAPTER3. It applies in a similar way to the previous disallowance provided by CTA09/S816A (see CIRD44200). The prohibition now also extends to cover CTA09/PART8/CHAPTER15. This extension prevents debit relief arising from an adjustment on a change of accounting policy.

Accounting and fixed rate debit restrictions

No debit relief under CTA09/PART 8/CHAPTER3 and CHAPTER15 is allowed in relation to relevant assets. For example, no debit relief is allowed under the following provisions:

- CTA09/S728 “Expenditure written off as it is incurred”
- CTA09/S729 “Writing down on an accounting basis”
- CTA09/S730 “Writing down at a fixed rate”
- CTA09/S732 “Reversal of previous accounting gain”
- CTA09/S872 “Adjustments in respect of change [of accounting policy]”

This means that costs cannot be relieved at the time the expenditure is incurred or recognised for accounting purposes. These costs will instead be relieved at the point of realisation by deducting the tax cost from the proceeds of realisation in accordance with the rules in CTA09/PART8/CHAPTER4 (see CIRD13200 onwards).

Debits on realisation of relevant asset

There is a further restriction where a debit (loss) arises on realisation. Any debit arising on

realisation is treated as a non-trading debit. This condition limits how that debit can be utilised by the company (see below).

The statutory references for this restriction are at:

- CTA09/S879C(3) - in relation to pre-FA 2019 relevant assets
- CTA09/S879I(4) - in relation to acquisitions of relevant asset acquired where no business is acquired and/or no qualifying IP is acquired, and
- CTA09/S879K(5) - in relation to acquisitions from a related individual or firm where the third party condition is not met.

Treatment of non-trading debits

Non-trading debits and credits are brought into the CT computation in a way broadly similar to that adopted by the loan relationship rules. This means that the non-trading debit arising from a realisation of a relevant asset is first aggregated with other non-trading IFA debits and credits. If the result is negative there is a non-trading loss. The company may then:

- Set off the loss against the company's total profits for that accounting period ([CIRD13540](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13540)) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13540>),
- Surrender it as group relief ([CIRD13550](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13550)) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13550>), and
- In so far as the loss is not dealt with by one or more of the above methods, it is automatically carried forward as a non-trading loss to the next accounting period.

The effect of treating a debit arising from the realisation of a relevant asset as a non-trading loss, as opposed to a trading debit, is that the company cannot include the debit when

calculating trading losses. In particular this means the company cannot carry the non-trading loss back to set off against profits of previous accounting periods.

For more details about how the rules operate in relation to non-trading debits see [CIRD13530](https://www.gov.uk/hmrc-internal-manuals/cird13530) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird13530>) onwards.

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