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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD12310 - Core computational rules: accounting: change of accounting policy: disaggregation of assets

CTA09/PART8 CHAPTER15

It is possible on a change of accounting policy that a number of intangible fixed assets that were previously recognised as one asset will be disaggregated and recognised as separate assets. An example of this may be on first time adoption of FRS 101, FRS 102 or IAS which require a greater degree of identification of intangible assets than

FRS 10. The value of some assets previously recognised within the value of goodwill may need to be recognised separately.

These resulting assets take a proportion of the tax written down value of the original aggregated asset. The tax written down value of the original asset is spread among the resulting assets according to the part of the total accounting value of the resulting assets that the resulting asset represents.

So for example if the original asset had a tax written down value of £120 and the resulting assets had accounting values of £100, £200 and £300 their tax written down values would be £20 (£120 x £100 / £600), £40 (£120 x £200 / £600) and £60 (£120 x £300 / £600) respectively.

The tax cost of a resulting asset is the tax written down value of that asset plus any subsequent expenditure on the asset that is capitalised for accounting purposes.

Treatment of accounting difference on disaggregated assets

When there is a change of accounting policy it is possible that there will be a difference between the accounting value of the original intangible fixed asset recognised at the end of the earlier period and the aggregate accounting values of the disaggregated assets at the beginning of the later period. CTA09/PART8/S874 sets out how to work out the taxable credit or allowable debit in these circumstances. This aggregate accounting difference is brought into account for tax purposes as a taxable credit or allowable debit, multiplied by the fraction tax value/accounting value of the original asset at the close of the earlier period.

Where such a difference arises S874 treats an increase as a taxable credit, and a decrease as an allowable debit, arising at the start of the later accounting period.

S874(5) caps the amount of any credit to the net amount of previous debits on the asset less previous credits on the asset.

Election for fixed rate write down under CTA09/PART8/S730

Generally, where an asset is subject to a fixed rate election, no taxable credits or deductible debits will arise as a result of an accounting difference resulting from a change in accounting policy (see CIRD12905 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12905)). For details of how to deal with fixed rate elections where there has been a disaggregation see CIRD12320 (https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird12320).

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