

# CORPORATION TAX ACT 2009

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## EXPLANATORY NOTES

### COMMENTARY ON SECTIONS

#### **Part 8: Intangible fixed assets**

##### **Overview**

##### *Chapter 4: Realisation of intangible fixed assets*

##### *Section 733: Overview of Chapter*

2010. This section introduces the provisions that provide for credits or debits for tax purposes when an intangible fixed asset is realised. It is based on paragraph 18 of Schedule 29 to FA 2002.

2011. *Subsection (3)* rewrites paragraph 25 of Schedule 29 to FA 2002 as an early signpost to the possibility of roll-over relief in realisation cases.

##### *Section 734: Meaning of “realisation”*

2012. This section defines “realisation”. It is based on paragraph 19 of Schedule 29 to FA 2002.

2013. Consistent with the underlying principle of this Part, “realisation” is defined by reference to generally accepted accounting practice. Only events which are “realisations” in these terms are within this Chapter. And only events within this Chapter can come within the roll-over rules in Chapter 7 of this Part.

2014. *Subsection (3)* is relevant to assets that have been wholly written off or to assets which have been generated internally (such as goodwill) which cannot be capitalised under generally accepted accounting practice.

##### *Section 735: Asset written down for tax purposes*

2015. This section gives the rules quantifying the credit or debit for an intangible fixed asset which has previously been written down for tax purposes. It is based on paragraph 20 of Schedule 29 to FA 2002.

##### *Section 736: Asset shown in balance sheet and not written down for tax purposes*

2016. This section gives the rules quantifying the credit or debit for an intangible fixed asset shown in the company’s balance sheet and not previously written down for tax purposes. It is based on paragraph 21 of Schedule 29 to FA 2002.

2017. Examples of intangible fixed assets to which this section applies include those sold soon after acquisition.

***Section 737: Apportionment in case of part realisation***

- 2018. This section deals with cases where either of the two previous sections apply to a part realisation of an intangible fixed asset. It is based on paragraph 22 of Schedule 29 to FA 2002.
- 2019. The section determines the appropriate proportion of the tax written-down value or cost of the asset to be set off.
- 2020. *Subsection (2)* gives a formula that covers both the simple case, where the tax written-down value has not diverged from the book value in the accounts, and the more complicated case where the tax and book values have diverged.

***Section 738: Asset not shown in balance sheet***

- 2021. This section deals with cases where the intangible fixed asset that is realised is never shown in the balance sheet. It is based on paragraph 23 of Schedule 29 to FA 2002.
- 2022. Internally-generated goodwill is probably the most common example of an intangible fixed asset to which this section applies.

***Section 739: Meaning of “proceeds of realisation”***

- 2023. This section defines “proceeds of realisation”. It is based on paragraph 24 of Schedule 29 to FA 2002.

***Section 740: Abortive expenditure on realisation***

- 2024. This section provides for a debit for tax purposes in respect of abortive realisation expenditure. It is based on paragraph 26 of Schedule 29 to FA 2002.
- 2025. “Abortive” expenditure is expenditure incurred for the purposes of a transaction which would have amounted to a realisation of the intangible fixed asset if it had proceeded to completion. Such expenditure would not be allowable under any other rules.

***Section 741: Meaning of “chargeable intangible asset” and “chargeable realisation gain”***

- 2026. This section defines two related key terms used in this Part. It is based on paragraph 137 of Schedule 29 to FA 2002.