JERROMS MILLER
SPECIALIST TAX
Part of the SUMER Group

Intangible Assets

What is an intangible asset?

An intangible asset is an asset that has no physical substance.

Examples of intangible assets include goodwill and intellectual property such as patents, trademarks and copyrights.

There have been several changes to the tax treatment of intangible assets since 2002. The latest change has effect for intangible assets acquired on or after 1 April 2019 and is summarised below.

Intangibles Changes April 2019

Finance Act 2019 introduced further changes to the taxation of intangible assets which apply to accounting periods beginning on or after 1 April 2019.

Where, as part of a business acquisition, relevant assets are acquired alongside qualifying intellectual property assets on or after 1 April 2019 a fixed rate deduction of 6.5% is available for tax purposes.

Relevant Assets

Relevant Assets are:

- Goodwill;
- Information relating to customers or potential customers;
- Contractual or non-contractual relationships with customers;
- Unregistered trade-marks or other signs used in the business; and
- A licence or right relating to any of the above assets.

There are a number of exemptions where relief is not available, these include amortisation of goodwill on incorporation, and certain other anti-avoidance rules.

Capping of Relief

Relief for acquired relevant assets will be capped at a multiple of six times the expenditure incurred on qualifying IP assets in the acquired business.

Qualifying IP Assets

Qualifying IP assets include the following assets:

- Patents;
- Registered designs;
- Copyright or design rights;
- Plant breeders' rights; or
- A license or other right in respect of any of the above

Existing Rules

N.B. Goodwill is created when the relevant trade starts.

Existing rules, depending on when the asset was acquired or created, are summarised below.

Pre 1 April 2002

Relief for any acquisition costs is only available on disposal by deducting them from sales proceeds when calculating its capital gain.

Capital gains on goodwill can be rolled over against acquisitions of other intangibles.

Goodwill acquired or created by a company before 1 April 2002 is disallowable for tax purposes.

Acquisitions between 1 April 2002 and 7 July 2015

Intangible assets acquired or created between 1 April 2002 and 7 July 2015 fall within the corporate intangibles regime.

Amortisation charged in the accounts is tax deductible. Alternatively, the company can elect for a 4% straight line deduction.

However, from 3 December 2014 tax relief for amortisation of goodwill acquired from a related party, e.g. on incorporation, is disallowed.

On disposal, a trading profit/loss is realised based on the tax written down value of the asset.

Profits arising on the sale of goodwill could be rolled over under the intangibles regime by purchasing new goodwill/intangible assets only.

Acquisitions after 7 July 2015

Relief is available for intangibles acquired or created after 7 July 2015 where they are 'relevant assets', as defined above.

On disposal, a trading profit arises as the difference between proceeds and cost.

Where the disposal results in a loss this is treated as a non-trading debit.

Intangible fixed assets that are not 'relevant assets' are not subject to any restrictions.

Amortisation is therefore allowable for intellectual property assets such as patents, trademarks, know-how, registered designs, copyright or design rights etc.

Rollover Relief

There is a form of rollover relief available on intangible fixed assets, this is similar to the capital gains rollover relief rules.
Rollover relief is available if proceeds are reinvested 12 months before to 36 months after disposal.

Rollover relief is calculated as the proceeds reinvested in the new asset less the tax cost (not the tax written down value).

The majority of the time tax cost will be the same as the cost for accounting purposes.

The gain that remains chargeable in the year of disposal will be the sum of any tax relief taken to date plus any proceeds not reinvested in the new asset.

Rollover relief is not available were the proceeds of a tangible asset are used to invest in an intangible asset.

Group Rollover Relief

Companies within the same group may also be eligible for rollover relief where one company disposes of an intangible asset and another acquires an intangible asset within the normal time limits.

There is also an option to rollover a gain where the proceeds are reinvested in shares in another company, where a controlling interest in that company is acquired and the new company holds intangible assets.

Amortisation of New Asset

As tax cost is less than accounting cost by the rollover relief, allowable amortisation is calculated on the tax base cost. Therefore, an adjustment is needed to accounting amortisation where rollover relief has been claimed.

Get in Touch

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As a member of the ICAEW and CIOT Nick specialises in technical corporate tax planning and company reorganisations advising on a variety of projects from mergers and acquisitions to company incorporation, management buyouts and demergers. Nick is a regular writer for various tax journals with articles published in Taxaction, Tax Advisor and ICAEW Taxline. Presenting regular lectures to fellow professionals through various CPD providers including MBL, CPDStore and a variety of CIOT branches.

Pete Miller
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Pete began his career with the Inland Revenue in 1988 with roles in tax districts in Birmingham and London before spending several years in head office, culminating as the Inland Revenue's expert on the rules for company distributions and advance corporation tax. Since going into private practice 25 years ago, Pete has worked for Big 4 firms and run his own business for 11 years, advising a wide range of clients from owner managed businesses to the largest corporate groups. Pete is Chair of the CIOT's Owner Managed Business Tax Technical Committee, as well as being a member of the Tax Policy and Oversight Committee and of the Education Committee.

Client Testimonials

★★★★★

Our company Emerald Associates met with Nick who was courteous and helpful from the outset. It was also very reassuring to have our accountant, who was present at the Teams meeting, say that he had used their services and that they were indeed the experts in the field of Tax. Nick provided great clarity.

★★★★★

I've worked with Pete Miller and Nick Wright from Jerroms Miller on a few projects and each time have found their assistance and expertise invaluable. They and their team have a wealth of expertise and experience across a broad spectrum of taxes, in particular corporate reorganisations.

★★★★★

Jerroms Miller have provided specialist tax support on a number of transactions and reorganisations for our clients. As well as being technically very good Pete and Nick provide excellent ongoing support to clients both during and after the transactions which is both valuable and reassuring.

★★★★★

Jerroms Miller are a fantastic resource for dealing with our complex tax issues or when we need a second opinion on a technical query. Pete, Nick and the rest of the team are always quick to respond with clear and concise advice.

THE TAX HOUR

Nick Wright is joined by leading industry experts on the **@TheTaxHour** Podcast.

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