

Status: Point in time view as at 21/07/2008.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2002, Part 4. (See end of Document for details)

SCHEDULES

SCHEDULE 29

GAINS AND LOSSES OF A COMPANY FROM INTANGIBLE FIXED ASSETS

Modifications etc. (not altering text)

- C1** Sch. 29 applied (with modifications) (15.8.2002) by S.I. 2002/1967, **regs. 3-6**
- C2** Sch. 29 modified (5.10.2004) by **Energy Act 2004 (c. 20)**, s. 198(2), **Sch. 9 para. 28** (with s. 38(2)); S.I. 2004/2575, art. 2(1), Sch. 1
- C3** Sch. 29 modified (8.6.2005) by **Railways Act 2005 (c. 14)**, s. 60(2), **Sch. 10 para. 17**; S.I. 2005/1444, art. 2(1), Sch. 1
- C4** Sch. 29 modified (8.6.2005) by **Railways Act 2005 (c. 14)**, s. 60(2), **Sch. 10 para. 6**; S.I. 2005/1444, art. 2(1), Sch. 1
- C5** Sch. 29 modified (E.W.) (1.1.2006) by **Clean Neighbourhoods and Environment Act 2005 (c. 16)**, **ss. 93(3), 108(3)**; S.I. 2005/3439, art. 2
- C6** Sch. 29 modified (19.7.2006) by **Finance Act 2006 (c. 25)**, **s. 136(2)(f)**
- C7** Sch. 29 modified (21.12.2007) by **Consumers, Estate Agents and Redress Act 2007 (c. 17)**, s. 66(2), **Sch. 4 para. 10** (with s. 6(9)); S.I. 2007/3546, art. 3, Sch.

PART 4

REALISATION OF INTANGIBLE FIXED ASSETS

Introduction

- 18 This Part provides for credits or debits to be brought into account for tax purposes on the realisation by a company of an intangible fixed asset.

Meaning of “realisation”

- 19 (1) References in this Schedule to the realisation of an intangible fixed asset are to a transaction resulting, in accordance with generally accepted accounting practice—
- (a) in the asset ceasing to be recognised in the company’s balance sheet, or
 - (b) in a reduction in the accounting value of the asset.

For this purpose a “transaction” includes any event giving rise to a gain recognised for accounting purposes.

- (2) In relation to an intangible fixed asset that has no balance sheet value (or no longer has a balance sheet value), sub-paragraph (1) applies as if it did have a balance sheet value.
- (3) References in this Schedule to a “part realisation” are to a realisation falling within sub-paragraph (1)(b).

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Realisation of asset written down for tax purposes

- 20 (1) This paragraph applies where there is a realisation of an intangible fixed asset in respect of which debits have been brought into account for tax purposes—
- ^{F1}(a)
 - ^{F1}(b)
 - ^{F1}(c)
- (2) Where this paragraph applies—
- (a) if the proceeds of realisation exceed the tax written down value of the asset, a credit equal to the excess shall be brought into account for tax purposes;
 - (b) if the proceeds of realisation are less than the tax written down value of the asset, a debit equal to the shortfall shall be brought into account for tax purposes; and
 - (c) if there are no proceeds of realisation, a debit equal to the tax written down value shall be brought into account for tax purposes.
- (3) References in this paragraph to the tax written down value of an asset are to its tax written down value immediately before the realisation.

Textual Amendments

F1 Sch. 29 para. 20(1)(a)(b) (c) repealed (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 11 Pt. 2\(7\)](#)

Realisation of asset shown in balance sheet and not written down for tax purposes

- 21 (1) This paragraph applies where there is a realisation of an intangible fixed asset for which a value is shown in the company's balance sheet but which is not within paragraph 20 (asset written down for tax purposes).
- (2) Where this paragraph applies—
- (a) if the proceeds of realisation exceed the cost of the asset, a credit equal to the excess shall be brought into account for tax purposes;
 - (b) if the proceeds of realisation are less than the cost of the asset, a debit equal to the shortfall shall be brought into account for tax purposes; and
 - (c) if there are no proceeds of realisation, a debit equal to the cost of the asset shall be brought into account for tax purposes.
- (3) The cost of the asset means the cost recognised for tax purposes.
- (4) Subject to any adjustment required for tax purposes, the cost of the asset recognised for tax purposes is the same as the amount of expenditure on the asset capitalised by the company for accounting purposes.
- (5) After a part realisation of the asset the references in sub-paragraph (2)(a), (b) and (c) to the cost of the asset shall be read as a reference to—
- (a) the cost recognised for tax purposes in respect of the value of the asset recognised for accounting purposes immediately after the part realisation, and
 - (b) the cost so recognised of any subsequent expenditure on the asset that is capitalised for accounting purposes.
- (6) On a further part realisation, sub-paragraph (5) applies again.

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Apportionment in case of part realisation

- 22 (1) In the case of a part realisation the references in paragraph 20 to the tax written down value of the asset, or, as the case may be, the references in paragraph 21 to the cost of the asset, shall be read as references to the appropriate proportion of that amount.
- (2) That proportion is given by:

$$\frac{\text{Reduction in Accounting Value}}{\text{Previous Accounting Value}}$$

where—

Reduction in Accounting Value is the difference between the accounting value immediately before the realisation compared with that immediately after the realisation; and

Previous Accounting Value is the accounting value immediately before the realisation.

Realisation of asset not shown in balance sheet

- 23 (1) This paragraph applies where there is a realisation of an intangible fixed asset in relation to which neither paragraph 20 (asset written down for tax purposes) nor paragraph 21 (asset shown in balance sheet but not written down) applies.
- (2) Where this paragraph applies, a credit equal to any proceeds of realisation shall be brought into account for tax purposes.

Meaning of “proceeds of realisation”

- 24 (1) In this Schedule the “proceeds of realisation” of an asset means the amount recognised for accounting purposes as the proceeds of realisation, reduced by the amount so recognised as incidental costs of realisation.
- (2) The amounts referred to in sub-paragraph (1) are subject to any adjustment required for tax purposes.

Relief in case of reinvestment

- 25 The preceding provisions of this Part have effect subject to Part 7 (relief in case of reinvestment).

Abortive expenditure on realisation

- 26 (1) Where in a period of account—
- (a) a loss is recognised in [F²determining the company's profit or loss] in respect of expenditure by the company for the purposes of a transaction that would constitute a realisation of an intangible fixed asset, but
 - (b) the transaction does not proceed to completion,
- a corresponding debit shall be brought into account for tax purposes.

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- (2) Subject to any adjustment required for tax purposes, the amount of the debit recognised for tax purposes is the same as the amount of the loss recognised by the company for accounting purposes.

Textual Amendments

F2 Words in Sch. 29 para. 26(1)(a) substituted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 40](#)

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