These notes refer to the Corporation Tax Act 2009 (c.4) which received Royal Assent on 26 March 2009

CORPORATION TAX ACT 2009

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 8: Intangible fixed assets

Overview

Chapter 3: Debits in respect of intangible fixed assets

Section 726: Introduction

1997. This section introduces the rules dealing with the main category of accounting losses which may be brought into account as a debit for tax purposes. It is based on paragraph 7 of Schedule 29 to FA 2002.

1998. The rules in this Chapter do not apply to the realisation of an intangible fixed asset. S*ubsection (3)* provides a signpost to the Chapter that does.

Section 727: References to expenditure on an asset

1999. This section explains what is meant by "expenditure on an asset". It is based on paragraph 133 of Schedule 29 to FA 2002.

2000. *Subsection (2)* puts beyond doubt the exclusion of capital expenditure on tangible assets that might otherwise appear to come within *subsection (1)* such as expenditure on cars used by company staff promoting the company's brand name.

Section 728: Expenditure written off as it is incurred

2001. This section gives a deduction for expenditure never capitalised but written off in the period of account in which it is incurred. It is based on paragraph 8 of Schedule 29 to FA 2002.

2002. An example of expenditure within this section might be expenditure on maintaining an asset or expenditure on acquiring an asset which, in the event, proves abortive.

Section 729: Writing down on accounting basis

2003. This section gives a deduction for amounts written off an intangible fixed asset that has been capitalised in the company's accounts. It is based mainly on paragraph 9 of Schedule 29 to FA 2002.

Section 730: Writing down at fixed rate: election for fixed-rate basis

2004. This section gives the option of a writing down deduction at a fixed rate, regardless of the accounting treatment of the intangible fixed asset. It is based on paragraph 10 of Schedule 29 to FA 2002.

2005. The main purpose of this option is to make relief available for the cost of acquiring the most durable of intangible assets which either are not amortised at all in the accounts or are amortised over a very long period. An example of such an asset could be a very strong brand name.

Section 731: Writing down at fixed rate: calculation

2006. This section gives the calculation rule that applies when the fixed rate writing down option is taken under the previous section. It is based on paragraph 11 of Schedule 29 to FA 2002.

Section 732: Reversal of previous accounting gain

2007. This section gives relief if a previous, taxed, accounting gain is reversed. It is based on paragraph 12 of Schedule 29 to FA 2002.

2008. The debit will usually be the same as the accounting loss. If, however, the credit brought into account for the earlier period was different from the accounting gain, the formula in *subsection (3)* ensures that the debit to be recognised is the accounting loss adjusted in the ratio which the earlier credit bears to the earlier accounting gain.

2009. There is a parallel, converse rule in section 725.