



Corporation Tax Act 2009

2009 CHAPTER 4

PART 8

INTANGIBLE FIXED ASSETS

CHAPTER 13

TRANSACTIONS BETWEEN RELATED PARTIES

Introductory

844 Overview of Chapter

- (1) This Chapter sets out special rules relating to transactions between related parties.
- (2) Sections 845 to [F¹849A] are about the rule that transfers between a company and a related party are treated as being at market value.
- [F²(2ZA) Sections 849AB to 849AD make provision for the grant of a licence or other right by a company to a related party, or vice versa, to be treated as being at market value.]
- F³(2A)
- (3) Sections 850 and 851 set out other rules for transactions involving related parties.
- (4) See Chapter 12 for the meaning of “related parties”.

Textual Amendments

- F1** Word in s. 844(2) substituted (with effect in accordance with s. 61(6) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 61\(3\)](#)
- F2** S. 844(2ZA) inserted (with application in accordance with s. 21(3) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 21\(1\)](#)

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F3 S. 844(2A) omitted (with effect in accordance with s. 33(9)(10) of the amending Act) by virtue of Finance (No. 2) Act 2015 (c. 33), s. 33(6)

Transfers treated as being at market value

845 Transfer between company and related party treated as at market value

- (1) The basic rule is that a transfer of an intangible asset—
- (a) from a company to a related party, or
 - (b) to a company from a related party,
- is treated for all purposes of the Taxes Acts as being at market value (as respects both the company and the related party) if condition A or B is met.
- (2) Condition A is that the asset is a chargeable intangible asset in relation to the transferor immediately before the transfer.
- (3) Condition B is that the asset is a chargeable intangible asset in relation to the transferee immediately after the transfer.
- (4) That rule is subject to—
- (a) section 846 (transfers not at arm's length),
 - (b) section 847 (transfers involving other taxes),
 - (c) section 848 (tax-neutral transfers),^{F4} ...
 - [^{F5}(ca) section 848A (assets held for purposes of exempt foreign permanent establishments),^{F6} ...]
 - (d) section 849 (transfers involving gifts of business assets),^{F7} [^{F8} ...
 - (e) section 849A (disincorporation relief: transfer values for post-FA 2002 goodwill)]^{F9}, and
 - (f) sections 900E and 900F (special rules in respect of assets that were pre-FA 2002 assets etc)].
- [^{F10}(4A) References in subsection (1) to a related party in relation to a company are to be read as including references to a person in circumstances where the participation condition is met as between that person and the company.
- (4B) References in subsection (4A) to a company include a firm in a case where, for section 1259 purposes, references in subsection (1) to a company are read as references to the firm.
- (4C) Section 148 of TIOPA 2010 (when the participation condition is met) applies for the purposes of subsection (4A) as it applies for the purposes of section 147(1)(b) of TIOPA 2010.
- (4D) Subsection (4E) applies where—
- (a) a gain on the disposal of an intangible asset by a firm is a gain to be taken into account for section 1259 purposes, and
 - (b) for those purposes, references in subsection (1) to a company are read as references to the firm.
- (4E) Where this subsection applies, the gain referred to in subsection (4D)(a) is to be treated for the purposes of this section as if it were a chargeable realisation gain for the purposes of section 741(1) (meaning of “chargeable intangible asset”).

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(4F) In this section, “section 1259 purposes” means the purposes of determining under section 1259 the amount of profits or losses to be allocated to a partner in a firm.]

(5) In subsection (1)—

“market value” means the price the asset might reasonably be expected to fetch on a sale in the open market, and

“the Taxes Acts” means the enactments relating to income tax, corporation tax or chargeable gains.

Textual Amendments

- F4** Word in s. 845(4)(c) omitted (19.7.2011) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 7\(a\)](#), 31
- F5** S. 845(4)(ca) inserted (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 13 paras. 7\(b\)](#), 31
- F6** Word in s. 845(4)(ca) omitted (with effect in accordance with [s. 61\(6\)](#) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [s. 61\(4\)\(a\)](#)
- F7** Word in s. 845(4)(d) omitted (with effect in accordance with [s. 31\(14\)\(15\)](#) of the amending Act) by virtue of [Finance Act 2020 \(c. 14\)](#), [s. 31\(3\)\(a\)](#)
- F8** S. 845(4)(e) and word inserted (with effect in accordance with [s. 61\(6\)](#) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [s. 61\(4\)\(b\)](#)
- F9** S. 845(4)(f) and word inserted (with effect in accordance with [s. 31\(14\)\(15\)](#) of the amending Act) by [Finance Act 2020 \(c. 14\)](#), [s. 31\(3\)\(b\)](#)
- F10** S. 845(4A)-(4F) inserted (with effect in accordance with [s. 53\(2\)](#) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 53\(1\)](#)

846 Transfers not at arm's length

(1) Section 845 does not apply if the consideration for the transfer—

(a) falls to be adjusted for tax purposes under [^{F11}Part 4 of TIOPA 2010] (provision not at arm's length), or

(b) falls within [^{F12}that Part] without falling to be so adjusted.

[^{F13}(1A) Subsection (1B) applies in relation to the transfer of an intangible asset where—

(a) by virtue of subsection (1), section 845 does not apply, and

(b) the market value of the asset is greater than the Part 4 TIOPA amount.

(1B) An amount equal to the market value of the asset less the Part 4 TIOPA amount is to be brought into account for the purposes of corporation tax in relation to the transfer (in addition to the Part 4 TIOPA amount).

(1C) In subsections (1A) and (1B)—

“market value”, in relation to an asset, has the meaning given in section 845(5);

“Part 4 TIOPA amount” means the amount which, following the application of Part 4 of TIOPA 2010 in relation to the consideration for the transfer, is brought into account in respect of the consideration for the purposes of corporation tax.]

(2) For the purposes of subsection (1)(b) the consideration for a transfer falls [^{F14}within that Part] without falling to be adjusted under it if—

[^{F15}(a) the condition in section 147(1)(a) of TIOPA 2010 is met,

(aa) the participation condition is met (see subsection (2A)), and]

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(b) the actual provision does not differ from the arm's length provision.

[^{F16}(2A) Section 148 of TIOPA 2010 (when the participation condition is met) applies for the purposes of subsection (2)(aa) as it applies for the purposes of section 147(1)(b) of TIOPA 2010.]

(3) In subsection (2) “the actual provision” and “the arm's length provision” have the same meaning [^{F17}as in that Part (see, respectively, sections 149 and 151 of TIOPA 2010)].

Textual Amendments

- F11** Words in s. 846(1)(a) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 147\(2\)](#) (with Sch. 9 paras. 1-9, 22)
- F12** Words in s. 846(1)(b) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 147\(3\)](#) (with Sch. 9 paras. 1-9, 22)
- F13** S. 846(1A)-(1C) inserted (with effect in accordance with s. 42(2) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 42\(1\)](#)
- F14** Words in s. 846(2) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 147\(4\)](#) (with Sch. 9 paras. 1-9, 22)
- F15** S. 846(2)(a)(aa) substituted for s. 846(2)(a) (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 147\(5\)](#) (with Sch. 9 paras. 1-9, 22)
- F16** S. 846(2A) inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 147\(6\)](#) (with Sch. 9 paras. 1-9, 22)
- F17** Words in s. 846(3) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 147\(7\)](#) (with Sch. 9 paras. 1-9, 22)

847 Transfers involving other taxes

- (1) This section applies if—
- (a) in a case where section 845(1) applies and the asset is transferred from the company to a related party, the transfer is at less than its market value,
 - (b) in a case where that section applies and the asset is transferred to the company from the related party, the transfer is at more than its market value, and
 - (c) conditions A and B apply.
- (2) Condition A is that the related party—
- (a) is not a company, or
 - (b) is a company in relation to which the asset is not a chargeable intangible asset immediately after the transfer to it or, as the case may be, immediately before the transfer from it.
- (3) Condition B is that the transfer—
- (a) gives rise to an amount to be taken into account in calculating any person's income, profits or losses for tax purposes because of a relevant provision, or
 - (b) would do so apart from section 845(1).

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- (4) If this section applies, section 845(1) does not apply in relation to the calculation referred to in subsection (3) for the purposes of any relevant provision.
- (5) In this section “relevant provision” means—
- (a) [^{F18}Chapter 2 of Part 23 of CTA 2010 (matters which are distributions), except section 1000(2),] and
 - (b) Part 3 of ITEPA 2003 (employment income: earnings and benefits etc treated as earnings).

Textual Amendments

F18 Words in s. 847(5)(a) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 658](#) (with [Sch. 2](#))

848 Tax-neutral transfers

- (1) Section 845 does not apply if the transfer is tax-neutral for the purposes of this Part as a result of any provision in this Part.
- (2) For such provisions, see, in particular—
- (a) section 775 (transfers within a group), and
 - (b) sections 818 to 826 (transfer of business or trade).

[^{F19}848A] Assets held for purposes of exempt foreign permanent establishments

- (1) This section applies if—
- (a) subsection (1) of section 775 (transfers within a group) would apply in relation to the transfer but for paragraph (c) of subsection (4) of that section, and
 - (b) the asset has not at all times when the election under section 18A had effect been held by the transferor wholly for the purposes of a permanent establishment such as is mentioned in that paragraph.
- (2) The transfer is treated for the purposes of this Part as being at the following value—

where—

WDV is the tax written-down value of the asset, and

FPEA is the amount which, for the purposes of Chapter 3A of Part 2, would in the case of the transferor be the foreign permanent establishments amount attributable to the transfer for the accounting period in which it took place if the transfer were at market value.]

Textual Amendments

F19 S. 848A inserted (19.7.2011) by [Finance Act 2011 \(c. 11\), Sch. 13 paras. 8, 31](#)

849 Transfers involving gifts of business assets

- (1) This section applies if—

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- (a) the asset is transferred to the company mentioned in section 845(1), and
 - (b) on a claim for relief under section 165 of TCGA 1992 (relief for gifts of business assets) in respect of the transfer, a reduction is made under section 165(4)(a).
- (2) The transfer is treated for the purposes of this Part as being at market value, less the amount of the reduction.
- (3) Any necessary adjustments may be made, by way of assessment, amendment of returns or otherwise, regardless of any relevant time limits.

[^{F20}849A Disincorporation relief: transfer values for post-FA 2002 goodwill

- (1) This section applies where—
- (a) a company transfers its business to some or all of the shareholders of the company, and
 - (b) a claim for disincorporation relief in respect of the transfer has been made under section 58 of the Finance Act 2013.
- (2) If section 735 applies to the transfer of the goodwill of the business, the transfer is treated for the purposes of this Part as being at the lower of—
- (a) the tax written-down value of the goodwill, and
 - (b) its market value.
- (3) If section 736 applies to the transfer of the goodwill of the business, the transfer is treated for the purposes of this Part as being at the lower of—
- (a) the cost of the goodwill, and
 - (b) its market value.
- (4) If section 738 applies to the transfer of the goodwill of the business, the proceeds of realisation of the goodwill are treated for the purposes of this Part as being nil.
- (5) In subsection (2)(a) the reference to the tax written-down value of the goodwill is to its tax written-down value immediately before the transfer.
- (6) In subsection (3)(a) “the cost of the goodwill” means the cost recognised for tax purposes (determined in accordance with section 736(6) and (7)).
- (7) In this section market value has the meaning given in section 845(5).]

Textual Amendments

F20 S. 849A inserted (with effect in accordance with s. 61(6) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 61\(5\)](#)

[^{F21}Grants treated as being at market value

Textual Amendments

F21 Ss. 849AB-849AD and cross-heading inserted (with application in accordance with s. 21(3) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 21\(2\)](#)

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849AB Grant of licence or other right treated as at market value

- (1) This section applies if—
 - (a) a company which holds an intangible asset grants a licence or other right in respect of the asset to a related party, or
 - (b) a company is granted a licence or other right in respect of an intangible asset by a related party that holds the asset.
- (2) The grant of the licence or other right is treated for all purposes of the Taxes Acts as being at market value as respects the grantor if—
 - (a) the licence or other right was actually granted at less than market value, and
 - (b) condition A or B is met.
- (3) The grant of the licence or other right is treated for all purposes of the Taxes Acts as being at market value as respects the grantee if—
 - (a) the licence or other right was actually granted at more than market value, and
 - (b) condition A or B is met.
- (4) Condition A is that the asset is a chargeable intangible asset in relation to the grantor immediately before the licence or right in respect of it is granted.
- (5) Condition B is that the licence or right is a chargeable intangible asset in relation to the grantee immediately after it is granted.
- (6) This section is subject to—
 - (a) section 849AC (grants not at arm's length), ^{F22} ...
 - (b) section 849AD (grants involving other taxes)^{F23}, and
 - (c) section 900F (special rules in respect of assets that were pre-FA 2002 assets etc)].
- (7) References in subsection (1) to a related party in relation to a company are to be read as including references to a person in circumstances where the participation condition is met as between that person and the company.
- (8) References in subsection (7) to a company include a firm in a case where, for the purposes of section 1259, references in subsection (1) to a company are read as references to the firm.
- (9) Section 148 of TIOPA 2010 (when the participation condition is met) applies for the purposes of subsection (7) as it applies for the purposes of section 147(1)(b) of TIOPA 2010.
- (10) Subsection (11) applies where—
 - (a) a gain on the grant by a firm of a licence or other right in respect of an intangible fixed asset is a gain to be taken into account for the purposes of section 1259, and
 - (b) for those purposes, references in subsection (1) to a company are read as references to the firm.
- (11) Where this subsection applies, the gain referred to in subsection (10)(a) is to be treated for the purposes of this section as if it were a chargeable realisation gain for the purposes of section 741(1) (meaning of “chargeable intangible asset”).
- (12) In this section—

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“market value” means the price the licence or right might reasonably be expected to fetch on a sale in the open market, and

“the Taxes Acts” means the enactments relating to income tax, corporation tax or chargeable gains.

Textual Amendments

F22 Word in s. 849AB(6)(a) omitted (with effect in accordance with s. 31(14)(15) of the amending Act) by virtue of [Finance Act 2020 \(c. 14\), s. 31\(4\)\(a\)](#)

F23 S. 849AB(6)(c) and word inserted (with effect in accordance with s. 31(14)(15) of the amending Act) by [Finance Act 2020 \(c. 14\), s. 31\(4\)\(b\)](#)

849AC Grants not at arm's length

- (1) This section applies if the consideration for the grant of a licence or other right would, but for this section, fall to be adjusted as respects one of the parties to the grant (“the relevant party”) under both—
 - (a) section 849AB, and
 - (b) Part 4 of TIOPA 2010 (provision not at arm's length).
- (2) The consideration for the grant is not to be adjusted as respects the relevant party under Part 4 of TIOPA 2010 if the adjustment that falls to be made under section 849AB is greater than the adjustment that would otherwise fall to be made under that Part.
- (3) The consideration for the grant is not to be adjusted under section 849AB if the adjustment that falls to be made as respects the relevant party under Part 4 of TIOPA 2010 is greater than or equal to the adjustment that would otherwise fall to be made under that section.

849AD Grants involving other taxes

- (1) This section applies if—
 - (a) in a case where section 849AB applies and the licence or other right is granted by the company to a related party, the grant is at less than its market value,
 - (b) in a case where that section applies and the licence or other right is granted to the company by a related party, the grant is at more than its market value, and
 - (c) conditions A and B apply.
- (2) Condition A is that the related party—
 - (a) is not a company, or
 - (b) is a company in relation to which—
 - (i) in a case within subsection (1)(a), the licence or other right is not a chargeable intangible asset immediately after the grant to it, or
 - (ii) in a case within subsection (1)(b), the relevant asset is not a chargeable intangible asset immediately before the grant by it.
- (3) Condition B is that the grant of the licence or right—
 - (a) gives rise to an amount to be taken into account in calculating any person's income, profits or losses for tax purposes because of a relevant provision, or
 - (b) would do so apart from section 849AB(2) or (3).

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- (4) If this section applies, section 849AB(2) and (3) does not apply in relation to the calculation referred to in subsection (3) for the purposes of any relevant provision.
- (5) In this section “relevant provision” means—
- (a) Chapter 2 of Part 23 of CTA 2010 (matters which are distributions), except section 1000(2), and
 - (b) Part 3 of ITEPA 2003 (employment income: earnings and benefits etc treated as earnings).]

F24 ...

Textual Amendments

F24 Ss. 849B-849D and cross-heading omitted (with effect in accordance with s. 33(9)(10) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\), s. 33\(7\)](#)

F24 849B Circumstances in which restrictions on debits in respect of goodwill etc apply

.....

F24 849C Restrictions in a case within section 849B(4) or (5)

.....

F24 849D Restrictions in a case within section 849B(6)

.....

Other rules

850 Part realisation involving related party acquisition: exclusion of roll-over relief

- (1) Chapter 7 (roll-over relief in case of realisation and reinvestment) does not apply in relation to the part realisation by a company of an intangible fixed asset if there is a related party acquisition as a result of, or in connection with, the part realisation.
- (2) For this purpose there is a related party acquisition if a person who is a related party in relation to the company acquires an interest of any description—
- (a) in the intangible fixed asset, or
 - (b) in an asset whose value is derived in whole or in part from that asset.

851 Delayed payment of royalty by company to related party

- (1) This section applies if—
- (a) a royalty is payable by a company to or for the benefit of a related party,
 - (b) the royalty is not paid in full within the period of 12 months after the end of the period of account in which a debit in respect of it is recognised by the company for accounting purposes, and

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- (c) credits representing the full amount of the royalty are not brought into account under this Part in any accounting period by the person to whom it is payable.
- (2) The royalty is brought into account for the purposes of this Part only when it is paid.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 322(2A)(zb) inserted by [2016 c. 24 s. 73\(5\)](#)
- s. 934(1A)(1B) inserted by [2023 c. 30 Sch. 2 para. 12\(2\)](#)
- s. 962(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(5\)\(b\)](#)
- s. 962A(3A) inserted by [2023 c. 30 Sch. 2 para. 12\(6\)\(b\)](#)
- s. 963(1A) inserted by [2023 c. 30 Sch. 2 para. 12\(7\)\(a\)](#)
- s. 1058B(5)(ea) inserted by [2023 c. 20 Sch. para. 57](#)
- s. 1094(2A)-(2C) inserted by [2012 c. 14 Sch. 3 para. 13\(3\)](#)
- s. 1106(4A)-(4C) inserted by [2012 c. 14 Sch. 3 para. 14\(3\)](#)
- s. 1138A applied by [S.I. 2024/348 reg. 3](#)