



HM Revenue
& Customs

Corporation Tax: reform of tax relief for goodwill amortisation in the corporate intangibles regime

Who is likely to be affected

Companies that acquire intangible fixed assets, including goodwill.

General description of the measure

This measure amends the corporate intangible fixed assets regime (the “IFA regime”) to reinstate Corporation Tax (CT) relief for the cost of acquired goodwill in certain circumstances.

Policy objective

The measure is intended to support UK investment in intangible assets and improve the attractiveness of the UK as a place to do business.

Background to the measure

The government announced a consultation to review the IFA regime at Autumn Budget 2017. The consultation was carried out between February and May 2018. At Budget 2018 and in the summary of responses published on 7 November 2018, the government announced the intention to introduce a targeted relief for goodwill, following a brief consultation on the policy’s detailed design.

Detailed proposal

Operative date

The changes will have effect in relation to acquisitions of goodwill that occur on or after 1 April 2019.

Current law

The corporation tax rules that deal with intangible fixed assets are contained in Part 8 Corporation Tax Act 2009 (CTA 2009). The rules apply to intangible fixed assets and purchased goodwill that are recognised in a company’s accounts in accordance with generally accepted accounting practice. Generally, Part 8 taxes gains and losses on such assets as income and gives relief for the cost of acquiring such assets as and when the expenditure is written off in the company’s accounts.

Historically, acquired goodwill was treated in the same way as other intangible assets. However, since 8 July 2015 the amortisation of goodwill has not been eligible for relief.

Proposed revisions

Legislation has been introduced in the Finance Bill 2018-19 to amend Part 8 CTA 2009.

The goodwill relief restriction contained in section 816A CTA 2009 will be lifted. Companies that acquire goodwill on or after 1 April 2019 will receive relief for goodwill up to 6 times the value of any qualifying intellectual property (“IP”) assets in the business being acquired. The categories of qualifying IP assets will include: patents, registered designs, copyright and design rights and plant breeders’ rights. Relief will be given at a fixed rate of 6.5% in all cases.

The restriction on relief will continue to apply in relation to internally-generated goodwill acquired in a related party incorporation.

Goodwill acquired prior to 1 April 2019 will continue to be subject to the tax treatment prevailing at the time it was acquired.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024

This measure is expected to decrease CT receipts. The final costing will be subject to scrutiny by the Office for Budget Responsibility, and will be set out at the next fiscal event.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

There will be no impact on individuals and households. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated there will be any impacts on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on around 200,000 businesses that own intangible fixed assets. It will affect the amounts they are required to bring into account for corporation tax purposes in respect of transactions involving intangible assets, including goodwill. One-off costs will include familiarisation with this new measure. There are not expected to be any ongoing costs. It is expected that 2,500 businesses will claim the new relief. These businesses will have a one-off cost of familiarisation with this new measure, and will need to make computational adjustments to corporation tax profits. Ongoing costs for these businesses may include increased calculations to determine goodwill relief. The measure is not expected to have an impact on civil society organisations.

Operational impact (£m) (HMRC or other)

Further compliance and operational staff within HMRC will be needed to monitor this change. Additional staff costs are expected to be £8 million in total for the period from 2018-19 to 2023-24.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact the HMRC corporate intangibles team on telephone: 03000 575 610 or email: ifa.consultation@hmrc.gsi.gov.uk

Declaration

Rt Hon Mel Stride MP, Financial Secretary to the Treasury, has read this tax information and impact note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.