

Bill 5: Intangible fixed assets

Summary

1. This paper presents draft clauses which provide the corporation tax treatment of profits and losses arising to companies from their intangible fixed assets. The clauses are based mainly on legislation in Schedule 29 to FA 2002.

2. “Intangible fixed assets” is a wide-ranging category which includes goodwill. Therefore, the provisions will affect most companies chargeable to corporation tax.

3. There are two small changes in the law that have been adopted for income tax in ITTOIA and which are proposed here for corporation tax. They are identified in the relevant explanatory notes and change notes.

4. The source legislation is already drafted in rewrite style so extensive redrafting has not been necessary. But there have been some structural changes, some changes in terminology and other changes intended to align these provisions with others within the Bill.

5. Work is not yet final on rewriting these provisions although we expect any further changes to be limited mainly to minor drafting matters and to the possible inclusion of some insurance-related provisions. There may also be points relevant to this legislation that arise in the current consultation on the derivative contract and loan relationships draft clauses. This is because all three regimes have a common theme of following accountancy treatment of profits and losses for tax purposes.

Context of the publication of these draft clauses

6. The presentation of these clauses this autumn arises from the discussion in February this year of paper CC/SC (07) 08 (Proposals to improve and streamline the consultation process). In that paper the project suggested that draft clauses such as these which closely follow the source legislation could be presented only in the draft Bill to reduce the pressure on consultees.

7. In response, the Consultative Committee suggested that the clauses could be published in an informal way before the publication of the draft Bill so that consultees could decide whether to comment on both the earlier and draft Bill presentations of clauses, or just on the latter.

8. The project accepted this suggestion and these draft clauses are therefore being published now to allow greater flexibility for consultees.

Issues for the committee

9. We would welcome any early responses you or others may wish to make about these draft clauses so that we can make appropriate amendments prior to publication of the draft Bill.

10. The draft Bill is to be published for formal consultation in February 2008.

Address for comments

11. If possible, any comments should be sent by e-mail to:

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Written comments should be sent to:

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12. The names of respondents may be published unless they ask for their comments to be treated in confidence.