

Comment on...

Patent Box

Why was Patent introduced?

The government wants to “encourage companies to locate the high-value jobs and activities associated with the development, manufacture and exploitation of patents in the UK.” In essence, the government wants to stimulate entrepreneurialism and small business enterprise, making the UK a centre of excellence and increase research and development expenditure.

What type of company can benefit and how much can I save?

All companies with products with a UK or European patent or patent pending could be eligible. Patent Box is not industry specific, whatever field your business is in, you should consider this tax relief. **Patent Box will tax profits attributed to patents at a rate of 10%, rather than the 21% corporation tax rate (for large companies).**

Is my company eligible?

Whilst the Patent Box concept is simple, eligibility is not. There are a number of conditions that must be met:

- The company must have rights (held or exclusively assigned) to the patented product.
- The company, or a group company, must have significantly developed the patented product.
- The company must “actively” own the patented product; management time must be spent formulating plans and making decision in relation to the development or exploitation of the product.

We have patents, does my company automatically qualify?

No. Provided that your company is eligible, the company must elect into the Patent Box regime. Thereafter, there are **seven tests to be undertaken annually to determine how much of the company's income qualifies for a 10% effective tax rate**. Broadly, these can be summarised as extracting the company's non-Intellectual Property income, routine return and brand value. A patented product that falls within the scheme could be:

- Sales income from selling the patented item,
- Royalties income received from licensing the patented item,
- Sales income from selling a parent item which includes the patented item as a component.

Overall, any product that is patented or contains a patented component product could be affected by this tax relief.

We do not have patents, is my company automatically excluded?

Without a patent, or a patent pending, the company cannot elect into the Patent Box regime. As such, **you may want to reconsider your intellectual property and products to determine whether you want to apply for a patent**.

How can Chiene + Tait help?

Chiene + Tait can assist you through the process of qualifying for this generous tax relief and will ensure that your company receives the full benefit available to it.

We have connections with patent attorneys to whom we would be delighted to introduce you to. Thereafter, should you decide that it is appropriate to apply for a patent, we can consider whether you are able to elect into this regime.

For further information, please contact:

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