

Patent Box

KEY FACTS

Companies Only

Potential 10% Corporation Tax Rate
from April 2017

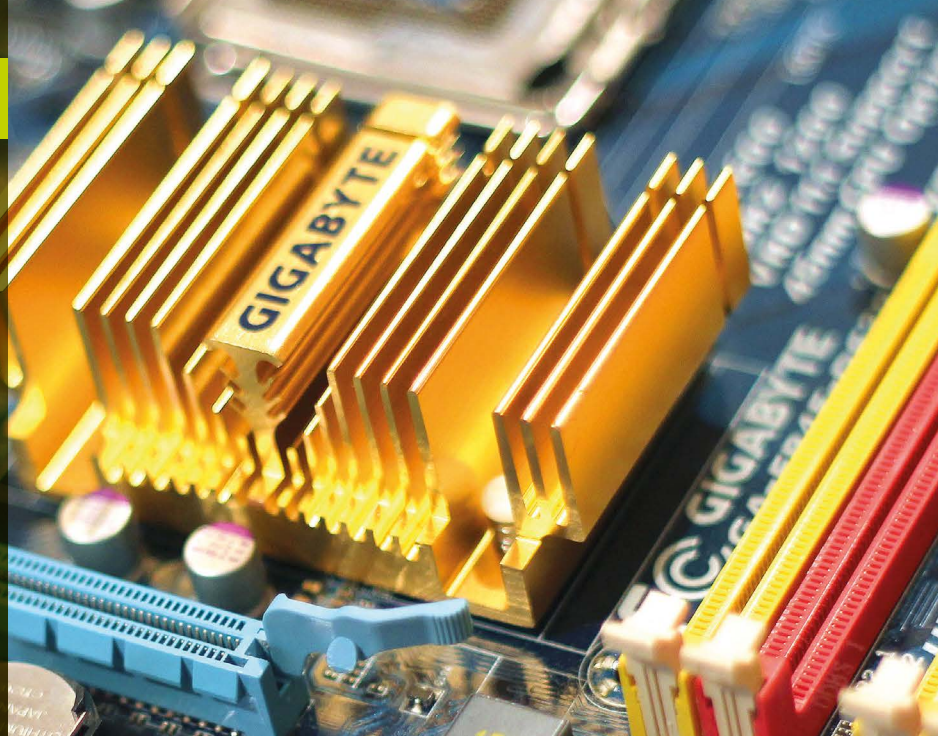
Own or exclusively licence a patent

UK, European and EEA Patents

Applies to profits attributed to
products/services utilising the
patented technology

Rate is phased in over 4 years

New rules effective from 30 June 2016



TAX BREAKS FOR PATENT HOLDERS

The Patent Box was introduced on 1 April 2013 to encourage innovation. It provides a reduced rate of Corporation Tax in a bid to re-establish the UK as a world leader in patented technologies.

IS YOUR BUSINESS ELIGIBLE?

Patent Box is only available to companies. Individuals and Partnerships are not eligible.

WHAT DOES IT APPLY TO?

The Patent Box applies to:

- Patents granted by the UK Intellectual Patent Office and by the European Patent Office.
- Patents granted by certain other EEA States provided the countries are published in a Treasury Order
- Certain other rights, such as medicinal and veterinary protection rights, plant breeder and plant variety rights.

It applies to patents granted before the Patent Box was introduced. However, it does not cover other forms of Intellectual Property such as trademarks and copyrights.

What Are The Main Conditions?

The company must fulfill the following eligibility criteria:

- own or exclusively license the qualifying patent.
- have developed or made a significant contribution to the creation of the patented technology.
- made a significant contribution to the development of a product or process incorporating the patented item.

What Profits Qualify?

Patent Box applies to profits attributed to products/services that utilise the patented technology. So it is not just the sale of the patented item, but products which necessarily contain the patented product which qualify.

HMRC have confirmed that Patent Box claims will go hand in hand with claims for Research and Development (R&D) Tax relief and companies will not be penalised for claiming both forms of Tax relief.

However, for Patents granted after 30 June 2016, the amount of benefit achievable under the Patent Box is linked to the proportion of R&D expenditure incurred by the UK Company developing the patented asset.

Reduced Tax Rate

The full 10% effective rate of Corporation Tax for qualifying profits will be available from 1 April 2017.

The relief is being phased in gradually over the four year period starting 1 April 2013.

What Do You Need To Do?

If you are a partnership or individual and you own or exclusively licence a patent you need to consider incorporating your business in order to benefit from the Patent Box tax rate.

Companies that do not hold patents need to consider whether any of their products/services are patentable. It is therefore recommended that companies review their product lines in order to ascertain whether any patentable technologies exist. If you think that your business could qualify then call our team to discuss how much relief is potentially available for your business.

The expert

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consultants and specialists by consistently and continually providing an exemplary service based around our core principles of expertise, commitment and value.

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